

VILLAGE OF KITSCOTY
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

VILLAGE OF KITSCOTY
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

INDEX

	PAGE
Independent auditor's report	2 - 3
Consolidated statement of financial position	4
Consolidated statement of operations	5
Consolidated statement of cash flows	6
Consolidated statement of change in net financial assets (debt)	7
Consolidated schedule of changes in accumulated surplus	8
Consolidated schedule of tangible capital assets	9
Consolidated schedule of property and other taxes	10
Consolidated schedule of government transfers	11
Consolidated schedule of segment disclosures	12 - 13
Notes to the consolidated financial statements	14 - 22



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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Councillors of the Village of Kitscoty

Opinion

We have audited the consolidated financial statements of the Village of Kitscoty, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Kitscoty as at December 31, 2018, the results of its operations 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 Financial Statements* section of our report. We are independent of the Village of Kitscoty 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 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 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 Village of Kitscoty'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 liquidate the Village of Kitscoty or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village of Kitscoty's financial reporting process.

Auditor's Responsibility for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Village of Kitscoty's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village of Kitscoty'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 consolidated 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 Village of Kitscoty to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated 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.

Wilkinson Livingstone Stevens LLP

Lloydminster, Alberta
April 1, 2019

Chartered Accountants

VILLAGE OF KITSCOTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	2018	2017
ASSETS		
Financial Assets		
Cash and temporary investments (Note 3)	1,507,957	861,434
Receivables		
Taxes and grants in lieu of taxes (Note 4)	67,468	90,943
Due from governments	15,637	19,972
Trade and other receivables	78,464	160,105
Land for resale inventory	497,372	512,087
Investments	<u>166</u>	<u>166</u>
	<u>2,167,064</u>	<u>1,644,707</u>
Financial Liabilities		
Accounts payable and accrued liabilities	177,010	142,086
Deposit liabilities and deferred revenues	69,184	66,946
Long-term debt (Note 6)	<u>178,770</u>	<u>264,399</u>
	<u>424,964</u>	<u>473,431</u>
Net Financial Assets (Debt) (Page 7)	<u>1,742,100</u>	<u>1,171,276</u>
Non-Financial Assets		
Inventory for consumption	44,857	38,131
Prepaid expenses	3,001	1,640
Tangible capital assets (Schedule 2)	<u>8,111,752</u>	<u>8,375,209</u>
	<u>8,159,610</u>	<u>8,414,980</u>
Accumulated Surplus (Page 5)	<u>\$ 9,901,710</u>	<u>\$ 9,586,256</u>

Commitments (Note 13 & 14)

Contingencies (Note 15)

Approved On Behalf Of Council

Councillor 
Councillor 

VILLAGE OF KITSCOTY

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
Revenue			
Net municipal taxes (Schedule 3)	856,913	856,744	865,028
User fees and sales of goods	589,545	568,532	541,929
Government transfers for operating (Schedule 4)	25,342	282,969	246,570
Investment income	3,000	17,728	8,195
Penalties and costs of taxes	22,000	18,113	24,957
Rentals	10,100	20,092	31,651
Licenses and permits	2,650	6,756	3,925
Other	<u>12,500</u>	<u>100,767</u>	<u>106,391</u>
	<u>1,522,050</u>	<u>1,871,701</u>	<u>1,828,646</u>
Expenses			
Administration and legislative	450,985	371,478	395,841
Fire protection and safety services	168,926	163,246	129,136
Bylaws enforcement	3,700	2,747	3,323
Roads, streets, walks, lighting	454,400	408,082	394,506
Water supply and distribution	318,033	205,401	371,434
Wastewater treatment and disposal	113,040	118,906	93,003
Waste management	106,141	98,231	87,987
Family and community support	31,678	31,678	31,890
Land use planning, zoning and development	20,150	23,238	10,519
Cemeteries	12,259	12,024	8,299
Parks and recreation	116,022	105,034	107,736
Culture	<u>74,614</u>	<u>68,316</u>	<u>74,522</u>
	<u>1,869,948</u>	<u>1,608,381</u>	<u>1,708,196</u>
Excess of revenue over expenses - before other	(347,898)	263,320	120,450
Other			
Government transfers for capital (Schedule 4)	-	52,134	304,135
Contributed assets	<u>-</u>	<u>-</u>	<u>38,095</u>
Excess of revenue over expenses	(347,898)	315,454	462,680
Accumulated Surplus, Beginning of Year		<u>9,586,256</u>	<u>9,123,576</u>
Accumulated Surplus, End of Year		<u>\$ 9,901,710</u>	<u>\$ 9,586,256</u>

VILLAGE OF KITSCOTY

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	2018	2017
Cash Provided By (Used In):		
Operating Activities		
Excess (deficiency) of revenues over expenses	315,454	462,680
Amortization	344,397	342,845
Loss (gain) on sale of tangible capital assets	(3,028)	3,359
Non-cash charges to operations net change:		
Decrease (increase) in taxes and grants in lieu of taxes	23,475	(2,436)
Decrease (increase) in government receivables	4,335	(13,185)
Decrease (increase) in trade and other receivables	81,641	(102,833)
Decrease (increase) in land and inventories for resale	14,715	(44,712)
Decrease (increase) in inventory for consumption	(6,726)	(5,603)
Decrease (increase) in prepaid expenses	(1,361)	1,144
Increase (decrease) in accounts payable and accrued liabilities	34,924	13,300
Increase (decrease) in deposit liabilities and deferred revenues	2,238	8,113
Contributed tangible capital assets	-	(38,095)
	<u>810,064</u>	<u>624,577</u>
Capital Activities		
Acquisition of tangible capital assets	(122,912)	(288,568)
Proceeds on disposal of tangible capital assets	<u>45,000</u>	<u>10,000</u>
	<u>(77,912)</u>	<u>(278,568)</u>
Investing Activities		
Decrease (increase) in restricted cash and cash equivalents	<u>(842)</u>	<u>3,379</u>
Financing Activities		
Long-term debt advanced (repaid)	<u>(85,629)</u>	<u>(144,251)</u>
Increase in cash and cash equivalents during the year	645,681	205,137
Cash and Cash Equivalents, Beginning of Year	<u>761,791</u>	<u>556,654</u>
Cash and Cash Equivalents At End (Note 3)	<u>\$ 1,407,472</u>	<u>\$ 761,791</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 3)	1,507,957	904,828
Less: restricted portion of cash and temporary investments (Note 3)	(100,485)	(99,643)
Temporary bank indebtedness	-	(43,394)
	<u>\$ 1,407,472</u>	<u>\$ 761,791</u>

VILLAGE OF KITSCOTY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
Excess Of Revenue Over Expenses	(347,898)	315,454	462,680
Amortization of tangible capital assets	-	344,397	342,845
Proceeds on disposal of tangible capital assets	-	45,000	10,000
Loss (gain) on sale of tangible capital assets	-	(3,028)	3,359
Acquisition of tangible capital assets	-	(122,912)	(326,663)
	<u>(347,898)</u>	<u>578,911</u>	<u>492,221</u>
(Increase) decrease in supplies inventory	-	(6,726)	(5,603)
(Increase) decrease in prepaid expenses	-	(1,361)	1,144
	<u>-</u>	<u>(8,087)</u>	<u>(4,459)</u>
Increase (Decrease) in Net Financial Assets (Debt)	(347,898)	570,824	487,762
Net Financial Assets (Debt), Beginning Of Year	<u>1,171,276</u>	<u>1,171,276</u>	<u>683,514</u>
Net Financial Assets (Debt), End Of Year	<u>\$ 823,378</u>	<u>\$ 1,742,100</u>	<u>\$ 1,171,276</u>

VILLAGE OF KITSCOTY

CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
 YEAR ENDED DECEMBER 31, 2018
 (SCHEDULE 1)

	Unrestricted Surplus	Restricted Reserves	Equity in Capital Assets	2018	2017
Balance, beginning of year	639,044	836,402	8,110,810	9,586,256	9,123,576
Excess of revenues over expenses	315,454	-	-	315,454	462,680
Unrestricted funds designated for future use	(615,270)	615,270	-	-	-
Restricted funds used for operations	160,391	(160,391)	-	-	-
Current year funds used for capital assets	(122,912)	-	122,912	-	-
Annual amortization expense	344,397	-	(344,397)	-	-
Disposal of tangible capital assets	41,972	-	(41,972)	-	-
Long term debt repaid	(85,629)	-	85,629	-	-
Change in accumulated surplus	<u>38,403</u>	<u>454,879</u>	<u>(177,828)</u>	<u>315,454</u>	<u>462,680</u>
Balance, end of year	<u>\$ 677,447</u>	<u>\$ 1,291,281</u>	<u>\$ 7,932,982</u>	<u>\$ 9,901,710</u>	<u>\$ 9,586,256</u>

VILLAGE OF KITSCOTY

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
 YEAR ENDED DECEMBER 31, 2018
 (SCHEDULE 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in Progress	Total 2018	Total 2017
Cost									
Balance, beginning of year	722,451	995,396	2,519,910	7,092,896	582,582	516,826	27,332	12,457,393	12,152,998
Additions	-	-	-	-	92,872	-	30,040	122,912	326,663
Disposals	-	-	-	-	(52,464)	-	-	(52,464)	(22,268)
Balance, end of year	<u>722,451</u>	<u>995,396</u>	<u>2,519,910</u>	<u>7,092,896</u>	<u>622,990</u>	<u>516,826</u>	<u>57,372</u>	<u>12,527,841</u>	<u>12,457,393</u>
Accumulated Amortization									
Balance, beginning of year	-	255,985	1,126,854	2,303,160	239,191	156,994	-	4,082,184	3,748,248
Amortization	-	49,145	54,685	153,780	40,127	46,660	-	344,397	342,845
Accumulated amortization on disposals	-	-	-	-	(10,492)	-	-	(10,492)	(8,909)
Balance, end of year	<u>-</u>	<u>305,130</u>	<u>1,181,539</u>	<u>2,456,940</u>	<u>268,826</u>	<u>203,654</u>	<u>-</u>	<u>4,416,089</u>	<u>4,082,184</u>
Net Book Value of Tangible Capital Assets	<u>\$ 722,451</u>	<u>\$ 690,266</u>	<u>\$ 1,338,371</u>	<u>\$ 4,635,956</u>	<u>\$ 354,164</u>	<u>\$ 313,172</u>	<u>\$ 57,372</u>	<u>\$ 8,111,752</u>	<u>\$ 8,375,209</u>

VILLAGE OF KITSCOTY

CONSOLIDATED SCHEDULE OF PROPERTY AND OTHER TAXES
 YEAR ENDED DECEMBER 31, 2018
 (SCHEDULE 3)

	Budget (Unaudited)	2018	2017
Taxation			
Real property taxes	1,101,061	1,096,200	1,097,565
Government grants in lieu of property taxes	-	4,690	4,709
Linear property	<u>29,353</u>	<u>29,414</u>	<u>29,008</u>
	<u>1,130,414</u>	<u>1,130,304</u>	<u>1,131,282</u>
Requisitions			
Alberta School Foundation Fund	273,501	273,499	266,254
DIP Requisition	<u>-</u>	<u>61</u>	<u>-</u>
Net Municipal Taxes	<u>\$ 856,913</u>	<u>\$ 856,744</u>	<u>\$ 865,028</u>

VILLAGE OF KITSCOTY

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

	Budget (Unaudited)	2018	2017
Transfers for Operating			
Provincial Government	25,342	279,337	70,470
Federal Government	-	3,632	130,647
Other Local Governments	-	-	45,453
	<u>25,342</u>	<u>282,969</u>	<u>246,570</u>
Transfers for Capital			
Provincial Government	-	-	304,135
Federal Government	-	52,134	-
	-	52,134	304,135
	<u>\$ 25,342</u>	<u>\$ 335,103</u>	<u>\$ 550,705</u>

VILLAGE OF KITSCOTY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2018
(SCHEDULE 5)

For the year ended December 31, 2018

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
Revenue								
Net municipal taxes	856,745	-	-	-	-	-	-	856,745
User fees and sales of goods	72,748	39,780	-	-	-	451,910	4,094	568,532
Government transfers	309,761	-	-	-	-	-	25,342	335,103
Investment income	17,728	-	-	-	-	-	-	17,728
Other revenues	<u>47,003</u>	<u>51,802</u>	<u>4,620</u>	<u>-</u>	<u>6,542</u>	<u>2,617</u>	<u>33,144</u>	<u>145,728</u>
	<u>1,303,985</u>	<u>91,582</u>	<u>4,620</u>	<u>-</u>	<u>6,542</u>	<u>454,527</u>	<u>62,580</u>	<u>1,923,836</u>
Expenses								
Salaries, wages and benefits	223,073	2,334	87,709	-	17,624	45,155	10,216	386,111
Contracted and general services	84,408	15,394	85,311	23,238	38,034	180,188	3,282	429,855
Materials, goods and utilities	40,898	67,739	99,404	-	37,699	116,675	1,201	363,616
Transfers to local boards or agencies	-	12,560	-	-	36,728	-	27,720	77,008
Interest on long term debt	-	-	-	-	-	6,810	-	6,810
Other expenses	<u>585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>585</u>
	<u>348,964</u>	<u>98,027</u>	<u>272,424</u>	<u>23,238</u>	<u>130,085</u>	<u>348,828</u>	<u>42,419</u>	<u>1,263,985</u>
Excess (Deficiency) of Revenue Over Expenses before amortization								
	<u>955,021</u>	<u>(6,445)</u>	<u>(267,804)</u>	<u>(23,238)</u>	<u>(123,543)</u>	<u>105,699</u>	<u>20,161</u>	<u>659,851</u>
Amortization of tangible capital assets	<u>15,911</u>	<u>74,060</u>	<u>135,659</u>	<u>-</u>	<u>43,265</u>	<u>73,711</u>	<u>1,791</u>	<u>344,397</u>
Excess (Deficiency) of Revenue Over Expenses								
	<u>\$ 939,110</u>	<u>\$ (80,505)</u>	<u>\$ (403,463)</u>	<u>\$ (23,238)</u>	<u>\$ (166,808)</u>	<u>\$ 31,988</u>	<u>\$ 18,370</u>	<u>\$ 315,454</u>

VILLAGE OF KITSCOTY

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES
YEAR ENDED DECEMBER 31, 2018
(SCHEDULE 5)

For the year ended December 31, 2017

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
Revenue								
Net municipal taxes	865,028	-	-	-	-	-	-	865,028
User fees and sales of goods	77,620	21,033	-	-	-	441,670	1,607	541,930
Government transfers	174,645	-	-	-	172,255	178,293	25,512	550,705
Investment income	8,195	-	-	-	-	-	-	8,195
Other revenues	<u>82,920</u>	<u>57,639</u>	<u>62</u>	<u>-</u>	<u>24,408</u>	<u>2,510</u>	<u>37,479</u>	<u>205,018</u>
	<u>1,208,408</u>	<u>78,672</u>	<u>62</u>	<u>-</u>	<u>196,663</u>	<u>622,473</u>	<u>64,598</u>	<u>2,170,876</u>
Expenses								
Salaries, wages and benefits	218,977	3,862	87,092	-	16,923	49,898	8,321	385,073
Contracted and general services	113,044	13,853	93,884	6,741	37,460	347,757	944	613,683
Materials, goods and utilities	42,596	34,458	79,974	2,880	46,527	72,341	1,344	280,120
Transfers to local boards or agencies	-	10,851	-	-	36,883	-	28,333	76,067
Interest on long term debt	-	-	423	899	-	8,693	-	10,015
Other expenses	<u>396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396</u>
	<u>375,013</u>	<u>63,024</u>	<u>261,373</u>	<u>10,520</u>	<u>137,793</u>	<u>478,689</u>	<u>38,942</u>	<u>1,365,351</u>
Excess (Deficiency) of Revenue								
Over Expenses before amortization	833,395	15,648	(261,311)	(10,520)	58,870	143,784	25,656	805,525
Amortization of tangible capital assets	<u>16,192</u>	<u>73,528</u>	<u>133,134</u>	<u>-</u>	<u>44,465</u>	<u>73,735</u>	<u>1,791</u>	<u>342,845</u>
Excess (Deficiency) of Revenue								
Over Expenses	<u>\$ 817,203</u>	<u>\$ (57,880)</u>	<u>\$ (394,445)</u>	<u>\$ (10,520)</u>	<u>\$ 14,405</u>	<u>\$ 70,049</u>	<u>\$ 23,865</u>	<u>\$ 462,680</u>

VILLAGE OF KITSCOTY

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

1. Significant Accounting Policies

The consolidated financial statements of the Village of Kitscoty (the "Village") are the representations of management prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are summarized as follows:

a) 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.

b) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net assets 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 and are, therefore, accountable to Council for the administration of their financial affairs and resources.

The schedule of taxes levied includes operating 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.

c) 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 service 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.

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.

VILLAGE OF KITSCOTY

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

1. **Significant Accounting Policies (continued)**

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 leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective function.

g) **Government Transfers**

Government transfers are the transfer of assets from the 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.

h) **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.

i) **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 (Debt) for the year.

VILLAGE OF KITSCOTY

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

1. Significant Accounting Policies (continued)

1) 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 are amortized on a straight-line basis over their estimated useful life as follows:

Buildings	25-50 years
Land improvements	15-25 years
Engineered structures	
Water system	45-75 years
Wastewater system	35-75 years
Other engineered structures	35-50 years
Machinery and equipment	5-20 years
Vehicles	10-25 years

Amortization is charged in the year of acquisition but not in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

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.

2) Inventory for consumption

Inventories held for consumption are recorded at the lower of cost and replacement cost.

2. Financial Instruments

The Village's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, deposit liabilities and long-term debt.

Interest rate risk

Interest rate risk is the risk to the Village's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. See Notes 3 and 6.

Credit risk

The Village is exposed to credit risk on receivables from taxpayers and customers. In order to reduce its credit risk, the Village reviews credit limits on a regular basis. Concentration of credit risk is limited due to the diverse customer base covered by the Village's operations.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Village is exposed to this risk mainly in respect of funds from its customers and accounts payable.

VILLAGE OF KITSCOTY

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

3. Cash and Temporary Investments

	2018	2017
Cash	276,906	89,164
Temporary investments	1,231,051	815,664
Temporary bank indebtedness	<u>-</u>	<u>(43,394)</u>
	<u>\$ 1,507,957</u>	<u>\$ 861,434</u>

Temporary investments are short-term deposits with maturities of three months or less.

Council has designated funds of \$1,291,281 (2017 - \$836,402) included in the above amounts for capital and operating purposes.

Included in cash and temporary investments are restricted monies totaling \$100,485 (2017 - \$99,643) and represent:

1. Proceeds on sale of property held exclusively for the property owner in the amount of \$53,968 (2017 - \$53,306). This amount is included in accounts payable and accrued liabilities.
2. Deposits on utility accounts and lot sales in the amount of \$45,350 (2017 - \$45,190). These amounts are included in deposit liabilities and deferred revenues.
3. Deposits on safety code permit fees in the amount of \$1,167 (2017 - \$1,147). These amounts are included in accounts payable and accrued liabilities.

Bank indebtedness consists of a demand operating credit facility with a maximum borrowing limit of \$1,010,000 that bears interest at the prime rate minus 0.25% per annum. This credit facility is secured by all book accounts and book debt. The balance drawn on the revolving loan at December 31, 2018 was \$0 (2017 - \$0).

4. Taxes and Grants in Place of Taxes Receivable

	2018	2017
Current taxes and grants in lieu of taxes	58,145	71,886
Arrears taxes receivable	<u>9,323</u>	<u>19,057</u>
	<u>\$ 67,468</u>	<u>\$ 90,943</u>

VILLAGE OF KITSCOTY

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

5. Employee Benefit Obligations

	2018	2017
Regular payroll	\$ 9,688	7,585
Vacation and sick leave	\$ 25,886	\$ 24,324

Regular payroll

This represents amounts owed to employees for days worked that will not be paid until the next fiscal year. This has been reflected in accounts payable and accrued liabilities balance.

Vacation and sick leave

The vacation liability is comprised of the vacation time that employees are deferring to future years. This has been reflected in accounts payable and accrued liabilities balance. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

The Village allows for sick leave to be accumulated to a maximum of 9 working days per year. The unused portion of sick leave is accumulated year to year to credit the employee to the maximum. Accumulated sick leave is not paid out upon an employee's termination or resignation. This has been reflected in accounts payable and accrued liabilities balance.

6. Long Term Debt

	2018	2017
Tax supported debentures - ACFA	\$ <u>178,770</u>	\$ <u>264,399</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 2.875% per annum and matures in 2020. The average annual interest rate is 2.875% (2017 - 2.875%).

Debenture debt is issued on the credit and security of the Village at large.

Interest on long term debt amounted to \$6,810 (2017 - \$10,015)

Aggregate annual maturities based on current interest rates and terms of repayment follow:

2019	88,109
2020	<u>90,661</u>
	\$ <u>178,770</u>

VILLAGE OF KITSCOTY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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 be disclosed as follows:

	2018	2017
Total debt limit	2,807,552	2,742,969
Total debt	<u>178,770</u>	<u>264,399</u>
Amount of debt limit unused	<u>\$ 2,628,782</u>	<u>\$ 2,478,570</u>
Debt servicing limit	467,925	457,162
Debt servicing	<u>92,620</u>	<u>92,620</u>
	<u>\$ 375,305</u>	<u>\$ 364,542</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

8. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets (Schedule 2)	12,527,841	12,457,393
Accumulated amortization (Schedule 2)	(4,416,089)	(4,082,184)
Long term debt (Note 6)	<u>(178,770)</u>	<u>(264,399)</u>
	<u>\$ 7,932,982</u>	<u>\$ 8,110,810</u>

9. Accumulated Surplus

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

	2018	2017
Surplus		
Equity in tangible capital assets	7,932,982	8,110,810
General surplus (deficit)	677,446	639,044
Restricted surplus		
General administration reserve	914,841	554,626
Celebration legacy fund	12,318	13,269
Fire capital reserve	19,770	20,832
Fire capital equipment reserve	60,230	20,739
Road capital reserve	8,744	8,639
Road maintenance reserve	8,097	8,000
Recycle reserve	3,543	3,500
Parks and trail reserve	10,972	10,840
Infrastructure stabilization reserve	<u>252,767</u>	<u>195,957</u>
	<u>\$ 9,901,710</u>	<u>\$ 9,586,256</u>

VILLAGE OF KITSCOTY

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

10. Segmented Disclosure

The Village 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.

11. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allowances (2)	2018	2017
D. Frank - Mayor	9,000	-	9,000	9,000
D. Roth - Deputy Mayor	8,100	-	8,100	8,100
H. Braun	-	-	-	5,363
J. Bell	-	-	-	5,363
J. Scott	-	-	-	5,363
G. Barr	6,600	-	6,600	1,237
H. Perryman	6,600	-	6,600	1,237
T. Pollard	6,600	-	6,600	1,237
CAO - S. Williams	<u>88,219</u>	<u>6,583</u>	<u>94,802</u>	<u>92,819</u>
	<u>\$ 125,119</u>	<u>\$ 6,583</u>	<u>\$ 131,702</u>	<u>\$ 129,719</u>

Note 1 - Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Note 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. Group Savings Plan

Employees of the Village may choose the percentage of their wage to contribute to the Defined Contribution Savings Plan, which will be matched by the Village, up to the maximum percentage based on each employees length of service. Contribution rates range between 5-7%.

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

Total current service contributions by the Village to the group savings plan were \$15,378 (2017 - \$15,987).

VILLAGE OF KITSCOTY

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

13. Commitments

The Village is committed to a three year contract with Wainwright Assessment Group Ltd. for assessment services. The contract will cover the period beginning April 1, 2016 to March 31, 2019.

The Village is a partner in the Alberta Central East Water Corporation (ACE) regional water system project to design and construct a water transfer and pump station, 3 fill stations, a truck fill station and 246 kilometres of pipeline. The Provincial government is committed to fund approximately 90% of the estimated project costs as part of the Alberta Water for Life program. The remaining 10% of costs will be distributed between the municipal partners. The Village costs to date have been as follows:

Stage 1	\$120,285
Stage 2	\$279,516
Stage 3	\$128,875
Stage 4 & 5	\$178,293
Stage 6	\$19,230

The Village has 6.9% of the voting shares and is responsible for 5.9% of all costs estimated to total \$982,161. As the Regional Water System is not a Village owned asset, none of the related liabilities, funding or expenditures are reflected in the Village's financial statement except for the Village's portion and consumption costs.

The Village is committed to support any requisition increase that may arise from any future operating deficit and debt servicing costs resulting from the construction of the Pioneer House expansion and renovations.

The Village is committed to funding \$10,000 to Buffalo Trail Public Schools for the Kitscoty Elementary playground fundraising project.

The Village has entered into a monthly subscription/service agreement with Trinus Technologies for IT support. The agreement is a two year term with twelve monthly payments of \$1,143 and twelve monthly payments of \$1,343.

14. Lease Commitments

The Village has entered into an agreement to lease equipment for various periods up to March 2022. Future minimum payments under operating lease follow:

2019	1,933
2020	1,933
2021	1,933
2022	<u>483</u>
	<u>\$ 6,282</u>

15. Contingent Liability

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.

16. Approval of Financial Statements

Council and Management have approved these financial statements.

VILLAGE OF KITSCOTY

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

17. Comparative Amounts

Certain 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. The reclassifications resulted in no effect on reported net income.