

Brian King Professional Corporation
Chartered Professional Accountant



COPY

April 10, 2019

Village of Donalda
Box 160
Donalda, Alberta
T0B 1H0

Attention: Jason Olson

Dear Sir:

This letter confirms the terms of our engagement as auditors of the Village of Donalda ("the municipality").

The objective and scope of the audit

You have requested that I audit the financial statements of the Municipality, which comprise the statement of financial position as at December 31, 2018, and the statement of financial activities, changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. My audit will be conducted with the objective of our expressing an opinion on the financial statements.

The responsibilities of the auditor

I will conduct my audit in accordance with Canadian Auditing Standards (CASs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with CASs.

In making our risk assessments, I consider internal control relevant to the Municipality's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. However, I will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will advise council in writing of all relationships and other matters between me and the Municipality that, in my professional judgment, may reasonably be thought to bear on my independence.

The responsibilities of management

My audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles for Municipalities.
- b) 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.
- c) To provide me with:
 - i) Access to all information of which *management* is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii) Additional information that we may request from management for the purpose of the audit and
 - iii) Unrestricted access to persons within the Municipality from whom we determine it necessary to obtain audit evidence.

As part of my audit process, I will request from management written confirmation concerning representations made to me in connection with the audit.

I look forward to full cooperation from your staff during our audit.

Other matters

My fees are based on the complexity and nature of the work, and on the degree of responsibility and skill required. Any disbursements will be added to our invoice. Invoices for services completed or in progress will be rendered monthly and are due within 10 days from the date issued. Interest will be charged on overdue accounts at 3% per month or 42.58% per annum.

I confirm my duty of confidentiality with respect to client affairs. Accordingly, except for information that is in the public domain, I will not provide any third party with confidential information concerning the affairs of the Municipality without the Municipality's prior consent, unless required to do so by legal authority, or by the *Code of Ethical Principles and Rules of Conduct* (CEPROC) of the Chartered Professional Accountants Association of Alberta. Further, in order to complete my engagement, we will require access to certain personal information. You hereby represent to us that you have obtained all consents that are required under applicable privacy legislation for the collection, use, and disclosure to me of personal information. I will manage all personal information in compliance with my Privacy Code.

In accordance with professional requirements, our client files are subject to periodic practice review by our provincial governing body as a self-regulating professional organization that is responsible for regulating its members and protecting the public. The practice reviewers are required to maintain strict confidentiality of any client information they may encounter during this process.

In order to audit the financial statements pursuant to this engagement, I will prepare various working papers. I will retain ownership of all such working papers, which I may use in any manner I deem appropriate, while respecting your confidentiality.

Reporting

I anticipate that our report will be substantially in the following form. The form and content of our report may need to be amended in the light of our audit findings.

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Donalda:

Report on the Consolidated Financial Statements

Opinion

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

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 5.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 9.

The above terms will remain in effect from year to year unless amended in writing by both parties or terminated by written notice from either party. Upon termination of this engagement, we will invoice you

Village of Donalda

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April 10, 2019

for any unbilled fees and expenses. Further, you agree to pay your account to the date of termination upon receipt of my invoice.

This engagement will be subject to and governed by the laws of the Province of Alberta. Any disputes arising from this engagement shall be subject to the exclusive jurisdiction of the courts of the Province of Alberta.

I shall be pleased to discuss the contents of this letter with you at any time, particularly if your requirements change, and to explain the reasons for any items. Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity of continuing to be of service to you.

Yours truly,

BRIAN KING PROFESSIONAL CORPORATION

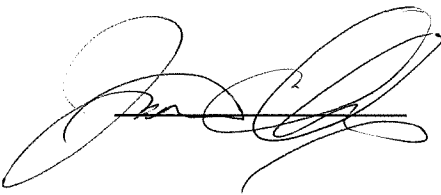
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Brian King, CPA, CGA

/bk

The services set out in the foregoing letter are in accordance with our requirements. The terms set out are acceptable to us and are hereby agreed to.

VILLAGE OF DONALDA

A handwritten signature in black ink, appearing to be a stylized 'J' or 'D' followed by a horizontal line, written in a cursive style.

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

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

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- Supplementary Accounting Principles and Standards Regulation:
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M.D. of Wainwright
July 15, 2019


Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF DONALDA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	528,944	394,024
Taxes and grants in place of taxes (Note 3)	55,464	62,933
Trade and other receivables	23,706	22,319
Due from other governments	172,253	256,320
Inventory held for resale	18,473	18,473
	<u>798,840</u>	<u>754,069</u>
LIABILITIES		
Accounts payable and accrued liabilities	64,188	64,688
Deposits held in trust	19,725	19,875
Deferred revenue (Note 4)	674,336	649,785
	<u>758,249</u>	<u>734,348</u>
NET FINANCIAL ASSETS	<u>40,591</u>	<u>19,721</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>1,774,643</u>	<u>1,675,285</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>1,815,234</u>	<u>1,695,006</u>

Commitments and contingencies - See Note 10 and 13

VILLAGE OF DONALDA

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

	Budget (unaudited)	2018	2017
REVENUE			
Net municipal property taxes (Schedule 3)	161,441	179,161	168,818
User fees and sales of goods	142,100	146,376	146,022
Penalties and costs on taxes	17,500	16,267	18,515
Licenses and permits	500	880	808
Franchise and concession contracts	21,000	26,005	23,547
Investment income	100	4,571	-
Rentals	7,500	10,275	10,350
Government transfers for operating	46,620	74,860	48,269
Other	1,100	676	14,949
	<u>397,861</u>	<u>459,071</u>	<u>431,278</u>
EXPENSES			
Legislative	14,000	15,832	15,836
Administration	109,300	145,731	113,035
Protective services	26,000	25,650	27,340
Transportation	64,700	76,792	72,909
Water supply and distribution	74,500	78,049	97,336
Wastewater treatment and disposal	13,950	7,245	14,179
Waste management	38,125	35,705	35,724
Public health and welfare	10,100	10,422	12,474
Recreation	10,950	6,804	16,479
Culture	34,100	31,234	36,682
Amortization	-	96,338	91,989
	<u>395,725</u>	<u>529,802</u>	<u>533,983</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	2,136	(70,731)	(102,705)
OTHER			
Government transfers for capital (Schedule 4)	-	190,959	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	2,136	120,228	(102,705)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>1,695,006</u>	<u>1,695,006</u>	<u>1,797,711</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>1,697,142</u></u>	<u><u>1,815,234</u></u>	<u><u>1,695,006</u></u>

VILLAGE OF DONALDA

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>2,136</u>	<u>120,228</u>	<u>(102,705)</u>
Acquisition of tangible capital assets	-	(195,696)	-
Amortization of tangible capital assets	<u>-</u>	<u>96,338</u>	<u>91,989</u>
	<u>-</u>	<u>(99,358)</u>	<u>91,989</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	<u>2,136</u>	<u>20,870</u>	<u>(10,716)</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>19,721</u>	<u>19,721</u>	<u>30,437</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>21,857</u>	<u>40,591</u>	<u>19,721</u>

VILLAGE OF DONALDA

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 of revenues over expenses	120,228	(102,705)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	96,338	91,989
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	7,469	(412)
Decrease (increase) in due from other governments	84,067	(198,670)
Decrease (increase) in trade and other receivables	(1,387)	5,792
Increase (decrease) in accounts payable and accrued liabilities	(500)	18,477
Increase (decrease) in deposits held in trust	(150)	-
Increase (decrease) in deferred revenue	24,551	202,938
	<u>330,616</u>	<u>17,409</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(195,696)</u>	<u>-</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	<u>(111,829)</u>	<u>-</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	23,091	17,409
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(22,371)</u>	<u>(39,780)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>720</u></u>	<u><u>(22,371)</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and temporary investments (Note 2)	528,944	394,024
Less: restricted portion of cash and temporary investments (Note 2)	<u>(528,224)</u>	<u>(416,395)</u>
	<u><u>720</u></u>	<u><u>(22,371)</u></u>

VILLAGE OF DONALDA

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	1,721	18,000	1,675,285	1,695,006	1,797,711
Excess (deficiency) of revenues over expenses	120,228	-	-	120,228	(102,705)
Current year funds used for tangible capital assets	(195,696)	-	195,696	-	-
Annual amortization expense	96,338	-	(96,338)	-	-
Change in accumulated surplus	20,870	-	99,358	120,228	(102,705)
BALANCE, END OF YEAR	22,591	18,000	1,774,643	1,815,234	1,695,006

VILLAGE OF DONALDA

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

	LAND	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2018	2017
COST:							
Balance - beginning of year	15,928	275,111	3,200,407	138,819	34,768	3,665,033	3,665,033
Acquisition of tangible capital assets	-	-	195,696	-	-	195,696	-
Balance - end of year	15,928	275,111	3,396,103	138,819	34,768	3,860,729	3,665,033
ACCUMULATED AMORTIZATION							
Balance - beginning of year	-	185,289	1,694,149	85,972	24,338	1,989,748	1,897,759
Annual amortization	-	5,588	73,748	13,525	3,477	96,338	91,989
Balance - end of year	-	190,877	1,767,897	99,497	27,815	2,086,086	1,989,748
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	15,928	84,234	1,628,206	39,322	6,953	1,774,643	1,675,285
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	15,928	89,822	1,506,258	52,847	10,430	1,675,285	

VILLAGE OF DONALDA

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

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	189,758	208,248	196,836
Linear property taxes	10,474	10,474	10,592
Government grants in place of property taxes	1,209	1,209	1,199
	<u>201,441</u>	<u>219,931</u>	<u>208,627</u>
REQUISITIONS			
Alberta School Foundation	35,000	35,552	34,887
County of Stettler Housing Authority	5,000	5,202	4,922
Designated industrial levy	-	16	-
	<u>40,000</u>	<u>40,770</u>	<u>39,809</u>
NET MUNICIPAL TAXES	<u>161,441</u>	<u>179,161</u>	<u>168,818</u>

VILLAGE OF DONALDA

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

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Federal Government	3,600	1,739	1,100
Provincial Government	43,020	69,121	43,169
Local Governments	-	4,000	4,000
	<u>46,620</u>	<u>74,860</u>	<u>48,269</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	34,046	-
Provincial Government	-	156,913	-
	<u>-</u>	<u>190,959</u>	<u>-</u>
TOTAL GOVERNMENT TRANSFERS	<u>46,620</u>	<u>265,819</u>	<u>48,269</u>

VILLAGE OF DONALDA

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

	Budget (Unaudited)	2018	2017
Expenditures			
Salaries, wages and benefits	89,850	79,192	107,425
Contracted and general services	159,225	199,047	179,660
Materials, goods and utilities	78,500	78,981	84,987
Provision for allowances	-	5,424	3,775
Transfers to other governments	28,300	28,285	28,285
Transfers to local boards and agencies	38,600	39,628	35,336
Bank charges and short term interest	850	1,870	1,908
Other expenditures	400	1,037	618
Amortization of tangible capital assets	-	96,338	91,989
	<u>395,725</u>	<u>529,802</u>	<u>533,983</u>

VILLAGE OF DONALDA

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)	179,161	-	-	-	-	-	-	179,161
User fees and sales of goods	667	-	-	144,709	1,000	-	-	146,376
Penalties and costs on taxes	15,258	-	-	1,009	-	-	-	16,267
Licenses and permits	450	430	-	-	-	-	-	880
Franchise and concession contracts	26,005	-	-	-	-	-	-	26,005
Investment income	4,571	-	-	-	-	-	-	4,571
Rentals	10,275	-	-	-	-	-	-	10,275
Government transfers	60,556	-	-	-	8,412	-	5,892	74,860
Other	676	-	-	-	-	-	-	676
	<u>297,619</u>	<u>430</u>	<u>-</u>	<u>145,718</u>	<u>9,412</u>	<u>-</u>	<u>5,892</u>	<u>459,071</u>
EXPENSES								
Salaries, wages and benefits	30,469	-	27,610	13,200	862	-	7,051	79,192
Contracted and general services	118,345	650	21,538	45,671	9,295	-	3,548	199,047
Materials, goods and utilities	4,604	-	27,458	39,778	265	-	6,876	78,981
Provision for allowances	5,424	-	-	-	-	-	-	5,424
Transfers to other governments	-	25,000	-	-	-	-	3,285	28,285
Transfers to local boards and agencies	-	-	-	22,350	-	-	17,278	39,628
Bank charges and short term interest	1,870	-	-	-	-	-	-	1,870
Other expenditures	851	-	186	-	-	-	-	1,037
	<u>161,563</u>	<u>25,650</u>	<u>76,792</u>	<u>120,999</u>	<u>10,422</u>	<u>-</u>	<u>38,038</u>	<u>433,464</u>
NET REVENUE, BEFORE AMORTIZATION	<u>136,056</u>	<u>(25,220)</u>	<u>(76,792)</u>	<u>24,719</u>	<u>(1,010)</u>	<u>-</u>	<u>(32,146)</u>	<u>25,607</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	6,659	-	52,632	36,240	-	-	807	96,338
NET REVENUE	<u>129,397</u>	<u>(25,220)</u>	<u>(129,424)</u>	<u>(11,521)</u>	<u>(1,010)</u>	<u>-</u>	<u>(32,953)</u>	<u>(70,731)</u>

VILLAGE OF DONALDA

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Reporting Entity

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

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

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

b) Basis of Accounting

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

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

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

VILLAGE OF DONALDA

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

g) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

h) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

VILLAGE OF DONALDA

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	25-50
Engineered structures - other	15-40
Engineered structures - water system	35-75
Engineered structures - wastewater system	35-75
Land improvements	15-20
Machinery and equipment	5-20
Vehicles	3-20

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.

VILLAGE OF DONALDA

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	162,039	46,085
Municipal Sustainability Initiative - capital	346,460	350,435
	<u>508,499</u>	<u>396,520</u>
Deposits held in trust	19,725	19,875
Total restricted cash and term deposits	<u>528,224</u>	<u>416,395</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	38,033	47,518
Arrears taxes	21,734	15,415
	<u>59,767</u>	<u>62,933</u>
Less: allowance for doubtful accounts	4,303	-
	<u>55,464</u>	<u>62,933</u>

VILLAGE OF DONALDA

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

4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2018</u>	<u>2017</u>
Federal Gas Tax	162,039	146,085
Municipal Sustainability Initiative - capital	503,774	503,373
Prepaid property taxes	8,523	327
	<u>674,336</u>	<u>649,785</u>

5. DEBT LIMITS

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

	<u>2018</u>	<u>2017</u>
Total debt limit	688,607	646,917
Total debt	-	-
Surplus debt limit	<u>688,607</u>	<u>646,917</u>
Debt servicing limit	114,768	107,820
Debt servicing	-	-
Surplus debt servicing	<u>114,768</u>	<u>107,820</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.

VILLAGE OF DONALDA

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

6. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	3,860,729	3,665,033
Accumulated amortization (Schedule 2)	<u>(2,086,086)</u>	<u>(1,989,748)</u>
	<u>1,774,643</u>	<u>1,675,285</u>

7. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	<u>22,591</u>	<u>1,721</u>
Restricted surplus		
Fire department	13,000	13,000
Roads and streets	<u>5,000</u>	<u>5,000</u>
	<u>18,000</u>	<u>18,000</u>
Equity in tangible capital assets	<u>1,774,643</u>	<u>1,675,285</u>
	<u>1,815,234</u>	<u>1,695,006</u>

8. SEGMENTED DISCLOSURE

The Village of Donalda 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 DONALDA

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

9. SALARY AND BENEFITS DISCLOSURE

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

	2018			2017
	Salary	Benefits & Allowances	Total	Total
Gartside	4,800	6	4,806	4,624
Knudtson	3,900	-	3,900	4,140
McKay	4,739	6	4,745	4,982
CAO	36,960	-	36,960	40,267
Designated Officer	5,346	-	5,346	5,222

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

10. CONTINGENCIES

The village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The village is a member of the Stettler Waste Management Authority. Under the terms of the membership, the village 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.

VILLAGE OF DONALDA

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

11. 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.

12. 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.

13. COMMITMENTS

The village has entered into a fire services agreement with the County of Stettler. Under the agreement, the county is to provide fire services to the village for an annual fee of \$25,000.

The village is a member of the Shirley McClellan Regional Water Services Commission and as such provides a proportionate share of the annual funding for administration and capital expenditures in proportion to their allocation of water capacity of the commission.

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.