

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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## Independent Auditors' Report

### TO THE REEVE AND COUNCIL OF MUNICIPAL DISTRICT OF ACADIA NO. 34

#### Opinion

We have audited the financial statements of the **Municipal District of Acadia No. 34**, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets (debt) and cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Municipal District of Acadia No. 34** as at December 31, 2019, the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the **Municipal District of Acadia No. 34** in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standard, 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 **Municipal District of Acadia No. 34'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 liquidate **Municipal District of Acadia No. 34** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **Municipal District of Acadia No. 34's** financial reporting process.

#### Auditors' Responsibility for the Audit of the Financial Statements

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

### Independent Auditors' Report (Continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality'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 municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the **Municipal District of Acadia No. 34** to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

#### Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Municipal District of Acadia No. 34's debt limit can be found in note 9.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and the information required can be found in note 14.

*Johnston Morrison Hunter & Co. Professional Corporation*

Chartered Professional Accountants  
Brooks, Alberta  
March 10, 2020

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**Statement of Financial Position  
December 31, 2019**

	2019	2018
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	3,927,546	3,400,753
Taxes and grants in place of taxes (Note 3)	439,137	429,416
Trade and other receivables	47,440	47,365
Land for resale inventory	213,500	240,000
Investments (Note 4)	8,916	7,928
<b>TOTAL FINANCIAL ASSETS</b>	<u>4,636,539</u>	<u>4,125,462</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	67,602	74,333
Employee benefit obligations (Note 5)	38,741	37,665
Deferred revenue (Note 6)	675,341	400,691
Long-term debt (Note 8)	324,540	335,834
<b>TOTAL LIABILITIES</b>	<u>1,106,224</u>	<u>848,523</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>3,530,315</u>	<u>3,276,939</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	9,159,592	9,451,187
Inventory for consumption	237,165	279,578
Prepaid expenses	56,928	51,644
	<u>9,453,685</u>	<u>9,782,409</u>
<b>ACCUMULATED SURPLUS (Note 12)</b>	<u>12,984,000</u>	<u>13,059,348</u>
<b>CONTINGENCIES (Note 17)</b>		

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**Statement of Operations  
For The Year Ended December 31, 2019**

	Budget	2019	2018
	\$	\$	\$
<b>REVENUE</b>			
Net taxes, Schedule 3	1,093,766	1,097,009	1,093,507
Government transfers for operating, Schedule 4	704,090	489,777	512,083
Investment income	30,000	79,834	56,028
User fees	203,850	194,842	201,216
Penalties and costs on taxes	5,000	6,035	6,642
Rentals	45,200	41,100	43,161
Other	6,250	51,971	289,555
<b>Total Revenue</b>	<u>2,088,156</u>	<u>1,960,568</u>	<u>2,202,192</u>
<b>EXPENSES</b>			
<b>Operating</b>			
Legislative	72,000	72,655	72,497
Administration	704,813	674,909	762,440
Fire, ambulance and bylaws enforcement	120,100	96,893	105,062
Roads, streets, walks and lighting	752,079	821,598	749,146
Water and wastewater	245,723	195,213	234,458
Waste management	76,988	76,095	75,890
Agricultural services	242,855	221,582	231,230
Recreation and parks	109,700	86,478	91,009
<b>Total Expenses</b>	<u>2,324,258</u>	<u>2,245,423</u>	<u>2,321,732</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER, SCHEDULE 6</b>	(236,102)	(284,855)	(119,540)
<b>OTHER</b>			
Government transfers for capital, Schedule 4	300,000	209,507	446,744
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>63,898</u>	<u>(75,348)</u>	<u>327,204</u>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>13,059,348</u>	<u>13,059,348</u>	<u>12,732,144</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>13,123,246</u></u>	<u><u>12,984,000</u></u>	<u><u>13,059,348</u></u>

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**Statement of Changes in Net Financial Assets  
For The Year Ended December 31, 2019**

	Budget \$	2019 \$	2018 \$
<b>EXCESS OF REVENUE OVER EXPENSES</b>	63,898	(75,348)	327,204
Acquisition of tangible capital assets	(67,000)	(46,492)	(583,090)
Contributed tangible capital assets	-	-	(13,900)
Proceeds on disposal of tangible capital assets	-	-	97,000
Amortization of tangible capital assets	327,000	338,087	332,211
(Gain) loss on sale of tangible capital assets	-	-	(120)
	260,000	291,595	(167,899)
(Purchase) use of prepaid assets	-	(5,284)	1,901
Use (purchase) of supplies inventories	-	42,413	(10,119)
	-	37,129	(8,218)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	323,898	253,376	151,087
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	3,276,939	3,276,939	3,125,852
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	3,600,837	3,530,315	3,276,939

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**Statement of Cash Flows  
For The Year Ended December 31, 2019**

	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	(75,348)	327,204
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	338,087	332,211
(Gain) on disposal of tangible capital assets	-	(120)
Non-cash charges to operations (net change):		
(Increase) decrease in taxes and grants in place of taxes	(9,721)	36,280
Increase in trade and other receivables	(75)	(1,332)
Decrease in land held for resale	26,500	-
(Decrease) increase in accounts payable and accrued liabilities	(6,731)	17,059
Increase in employee benefit obligations	1,076	324
Increase in deferred revenue	274,650	59,491
Decrease (increase) in inventory for consumption	42,413	(10,119)
(Increase) decrease in prepaid expenses	(5,284)	1,901
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<b>585,567</b>	<b>762,899</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(46,492)	(596,990)
Sale of tangible capital assets	-	97,000
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<b>(46,492)</b>	<b>(499,990)</b>
<b>INVESTING ACTIVITIES</b>		
Increase in restricted cash or cash equivalents	(274,650)	(59,491)
Increase in investments	(988)	(820)
Long-term debt repaid	(11,294)	(10,894)
<b>CASH APPLIED TO INVESTING TRANSACTIONS</b>	<b>(286,932)</b>	<b>(71,205)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>252,143</b>	<b>191,704</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,000,062</b>	<b>2,808,358</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>3,252,205</b>	<b>3,000,062</b>
<b>CASH AND CASH EQUIVALENTS ARE MADE UP OF:</b>		
Cash and temporary investments (Note 2)	3,927,546	3,400,753
Less: restricted portion of cash and temporary investments (Note 2)	(675,341)	(400,691)
	<b>3,252,205</b>	<b>3,000,062</b>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Schedule of Changes in Accumulated Surplus  
For The Year Ended December 31, 2019  
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Tangible Capital Assets	Equity in Tangible Capital Assets	2019	2018
	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>						
Balance, beginning of year	2,458,006	1,150,155	9,451,187	9,451,187	13,059,348	12,732,144
(Deficiency) excess of revenues over expenses	(75,348)	-	-	-	(75,348)	327,204
Unrestricted funds designated for future use	(160,320)	160,320	-	-	-	-
Current year funds used for tangible capital assets	(46,492)	-	46,492	46,492	-	-
Annual amortization expense	338,087	-	(338,087)	(338,087)	-	-
Change in accumulated surplus	55,927	160,320	(291,595)	(291,595)	(75,348)	327,204
<b>Balance, end of year</b>	<b>2,513,933</b>	<b>1,310,475</b>	<b>9,159,592</b>	<b>9,159,592</b>	<b>12,984,000</b>	<b>13,059,348</b>



MUNICIPAL DISTRICT OF ACADIA NO. 34

Schedule of Tangible Capital Assets  
For The Year Ended December 31, 2019  
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost:</b>								
Balance, beginning of year	2,848,639	87,212	1,177,611	10,368,702	1,101,074	859,969	16,443,207	16,164,483
Acquisition of tangible capital assets	-	-	11,578	-	10,711	24,203	46,492	596,990
Disposal of tangible capital assets	-	-	-	-	-	-	-	(318,266)
Balance, end of year	<u>2,848,639</u>	<u>87,212</u>	<u>1,189,189</u>	<u>10,368,702</u>	<u>1,111,785</u>	<u>884,172</u>	<u>16,489,699</u>	<u>16,443,207</u>
<b>Accumulated Amortization:</b>								
Balance, beginning of year	-	10,854	216,067	6,083,851	392,942	288,306	6,992,020	6,881,195
Annual amortization	-	3,488	23,784	170,937	89,047	50,831	338,087	332,211
Accumulated amortization on disposals	-	-	-	-	-	-	-	(221,386)
Balance, end of year	-	<u>14,342</u>	<u>239,851</u>	<u>6,254,788</u>	<u>481,989</u>	<u>339,137</u>	<u>7,330,107</u>	<u>6,992,020</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u>2,848,639</u>	<u>72,870</u>	<u>949,338</u>	<u>4,113,914</u>	<u>629,796</u>	<u>545,035</u>	<u>9,159,592</u>	<u>9,451,187</u>

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**Schedule of Property And Other Taxes  
For The Year Ended December 31, 2019  
Schedule 3**

	<b>Budget</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>TAXATION</b>			
Real property taxes	1,038,207	1,031,328	982,993
Linear property taxes	328,973	328,973	356,330
Government grants in lieu of property taxes	1,113	1,118	561
	<u>1,368,293</u>	<u>1,361,419</u>	<u>1,339,884</u>
<b>REQUISITIONS</b>			
Alberta school foundation fund	250,852	240,735	238,943
Acadia seniors program	23,675	23,675	7,434
	<u>274,527</u>	<u>264,410</u>	<u>246,377</u>
<b>NET TAXES</b>	<u>1,093,766</u>	<u>1,097,009</u>	<u>1,093,507</u>

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**Schedule of Government Transfers  
 For The Year Ended December 31, 2019  
 Schedule 4**

	Budget	2019	2018
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	704,090	489,777	512,083
<b>TRANSFERS FOR CAPITAL</b>			
Federal government	-	-	22,665
Provincial government	300,000	209,507	424,079
	<u>300,000</u>	<u>209,507</u>	<u>446,744</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u><u>1,004,090</u></u>	<u><u>699,284</u></u>	<u><u>958,827</u></u>

**MUNICIPAL DISTRICT OF ACADIA NO. 34**

**Schedule of Expenses by Object  
 For The Year Ended December 31, 2019  
 Schedule 5**

	Budget	2019	2018
	\$	\$	\$
<b>EXPENSES</b>			
Salaries, wages and benefits	626,514	556,780	585,745
Contracted and general services	700,278	657,975	479,516
Materials, goods and utilities	511,879	550,168	443,292
Transfers to local boards, individuals and organizations	97,534	89,253	414,717
Interest on long-term debt	12,053	12,053	12,450
Amortization of tangible capital assets	327,000	338,087	332,211
Other expenditures	49,000	41,107	53,801
<b>TOTAL EXPENSES</b>	<b>2,324,258</b>	<b>2,245,423</b>	<b>2,321,732</b>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Schedule of Segmented Disclosure  
For The Year Ended December 31, 2019  
Schedule 6

	General Government	Protective Services	Transportation Services	Water and Waste Management	Agricultural Services	Recreation and Culture	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>							
Net municipal taxes	1,097,009	-	-	-	-	-	1,097,009
Government transfers	216,215	-	195,000	56,250	220,241	11,578	699,284
User fees and sales of goods	937	-	838	180,640	1,103	11,324	194,842
Investment income	79,834	-	-	-	-	-	79,834
Penalties and cost on taxes	6,035	-	-	-	-	-	6,035
Rentals	41,100	-	-	-	-	-	41,100
Other revenues	3,910	23,115	-	24,946	-	-	51,971
	<u>1,445,040</u>	<u>23,115</u>	<u>195,838</u>	<u>261,836</u>	<u>221,344</u>	<u>22,902</u>	<u>2,170,075</u>
<b>Expenses:</b>							
Contract & general services	223,658	15,171	90,797	243,541	48,527	36,281	657,975
Salaries & wages	227,816	2,255	211,548	-	114,123	1,038	556,780
Goods & supplies	15,412	17,432	313,810	131,973	30,423	41,118	550,168
Transfers to organization	75,653	-	-	-	13,600	-	89,253
Long-term debt interest	-	-	-	12,053	-	-	12,053
Other expenses	37,144	-	-	-	-	3,963	41,107
	<u>579,683</u>	<u>34,858</u>	<u>616,155</u>	<u>387,567</u>	<u>206,673</u>	<u>82,400</u>	<u>1,907,336</u>
Net revenue, before amortization	865,357	(11,743)	(420,317)	(125,731)	14,671	(59,498)	262,739
Amortization expense	(25,906)	(47,243)	(205,444)	(40,782)	(10,946)	(7,766)	(338,087)
<b>Net Revenue</b>	<u>839,451</u>	<u>(58,986)</u>	<u>(625,761)</u>	<u>(166,513)</u>	<u>3,725</u>	<u>(67,264)</u>	<u>(75,348)</u>

## MUNICIPAL DISTRICT OF ACADIA NO. 34

### Notes to the Financial Statements For The Year Ended December 31, 2019

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#### 1. Significant Accounting Policies

The financial statements of the Municipal District of Acadia No. 34 are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Municipal District of Acadia No. 34 are as follows:

##### **Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and change in financial position of the Municipal District of Acadia No. 34.

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

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

##### **Basis of Accounting**

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

##### **Cash and Cash Equivalents**

The Municipal District's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

##### **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 revenues and expenditures 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.

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

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**Significant Accounting Policies (Continued)**

**Investments**

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

**Requisition Over-levy and Under-levy**

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

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

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

**Inventories for Resale**

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

**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.

**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.

**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 revenue over expenses, provides the Change in Net Financial Assets (Debt) for the year.

**Notes to the Financial Statements  
 For The Year Ended December 31, 2019**

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**Significant Accounting Policies (Continued)**

**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:

	<b>Years</b>
Buildings	50
Engineered structures	
Roadway system	25 - 60
Sidewalks, curbs and gutters	25
Water system	45 - 100
Wastewater system	75
Machinery and equipment	5 - 20
Vehicles	15 - 40

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

**Contributions of Tangible Capital Assets**

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

**Inventories**

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

**Contaminated Site 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.



**Notes to the Financial Statements  
 For The Year Ended December 31, 2019**

**Significant Accounting Policies (Continued)**

**Measurement of Financial Instruments**

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits, accounts receivable, preferred shares of a private company and note receivable.

Financial liabilities measured at amortized cost include the bank overdraft, the bank loan, accounts payable, amounts due to directors and officers and long-term debt.

**Impairment**

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

**Transaction costs**

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**2. Cash and Temporary Investments**

	2019	2018
	\$	\$
Cash	1,960,169	1,478,669
Temporary investments	<u>1,967,377</u>	<u>1,922,084</u>
	<u>3,927,546</u>	<u>3,400,753</u>

Temporary investments are short-term savings accounts bearing interest at 2.08% and are cashable on demand.

Included in the above are restricted amounts of \$675,341 (2018 - \$400,691) received from external sources and held exclusively for capital and operating projects .

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

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**3. Taxes and Grants in Place of Taxes**

	2019	2018
	\$	\$
Current taxes and grants in place of taxes	36,832	13,021
Non-current taxes and grants in place of taxes	9,479	4,751
Local improvement taxes receivable	<u>392,826</u>	<u>411,644</u>
	<u><u>439,137</u></u>	<u><u>429,416</u></u>

**4. Investments**

	2019	2018
	\$	\$
Medicine Hat Co-op Ltd. equity account	4,064	3,076
United Farmers of Alberta Co-operative Limited equity account	<u>4,852</u>	<u>4,852</u>
	<u><u>8,916</u></u>	<u><u>7,928</u></u>

**5. Employee Benefit Obligations**

	2019	2018
	\$	\$
Post-employment benefits	<u>38,741</u>	<u>37,665</u>

**Post-Employment Benefits**

The municipality sponsors a sick time allowance to qualifying employees at the time of retirement. This allowance is dependent on the number of years of service the employee has provided to the municipality and the amount of unused sick time accumulated. The cost of these benefits is recognized as a program expenditure as the employees provide service and the plan is unfunded.

**Notes to the Financial Statements  
 For The Year Ended December 31, 2019**

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**6. Deferred Revenue**

	2019	2018
	\$	\$
Municipal Sustainability Initiative - Capital	412,498	266,246
Federal Gas Tax Fund grant	169,299	69,299
Municipal Climate Change grant	89,644	-
Miscellaneous deferred funds	3,900	896
CARES grant	-	56,250
Land sale deposit	-	8,000
	<u>675,341</u>	<u>400,691</u>

Conditional grants and funding were received from external sources and have not been expended in the current year. The use of these funds is restricted to eligible projects which are scheduled for completion in 2019. The unspent funds are supported by cash and temporary investments of \$675,341.

**7. Contaminated Sites Liability**

On January 1, 2015, the municipality adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the municipality.

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Notes to the Financial Statements  
 For The Year Ended December 31, 2019**

**8. Long-Term Debt**

	2019	2018
	\$	\$
Tax supported debentures	<u>324,540</u>	<u>335,834</u>

The current portion of long-term debt is \$11,705

Principal and interest repayments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2020	11,704	11,640	23,344
2021	12,132	11,212	23,344
2022	12,575	10,770	23,345
2023	13,034	10,310	23,344
2024	13,510	9,835	23,345
2025 and on	<u>261,585</u>	<u>76,916</u>	<u>338,501</u>
	<u>324,540</u>	<u>130,683</u>	<u>455,223</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 3.6% per annum and matures in 2039. The average annual interest rate is 3.6% for 2019. Debenture debt is issued on the credit and security of the municipality at large.

Interest on long-term debt amounted to \$12,053 in 2019 and total cash payments for interest in 2019 were \$12,053

MUNICIPAL DISTRICT OF ACADIA NO. 34

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

**9. Debt Limits**

Section 276 [2] of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Municipal District of Acadia No. 34 be disclosed as follows:

	2019	2018
	\$	\$
Total debt limit	2,940,852	3,303,288
Total debt	<u>324,540</u>	<u>335,834</u>
Amount of debt limit unused	<u>2,616,312</u>	<u>2,967,454</u>
Debt servicing limit	490,142	550,548
Debt servicing	<u>23,345</u>	<u>23,345</u>
Amount of debt servicing limit unused	<u>466,797</u>	<u>527,203</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.

**10. Tangible Capital Assets**

	2019	2018
Net Book Value	\$	\$
Land	2,848,639	2,848,639
Land improvements	72,870	76,358
Buildings	949,338	961,544
Engineered structures		
Roadway system	2,067,874	2,192,340
Sidewalk, curb and gutter	38,517	44,424
Water system	1,019,596	1,044,093
Wastewater system	987,927	1,003,991
Machinery and equipment	629,796	708,133
Vehicles	<u>545,035</u>	<u>571,665</u>
	<u>9,159,592</u>	<u>9,451,187</u>

MUNICIPAL DISTRICT OF ACADIA NO. 34

Notes to the Financial Statements  
 For The Year Ended December 31, 2019

**11. Equity in Tangible Capital Assets**

	2019	2018
	\$	\$
Tangible capital assets, Schedule 2	16,489,699	16,443,207
Accumulated amortization, Schedule 2	<u>(7,330,107)</u>	<u>(6,992,020)</u>
	<u><b>9,159,592</b></u>	<u><b>9,451,187</b></u>

**12. Accumulated Surplus**

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

	2019	2018
	\$	\$
Unrestricted surplus	2,513,933	2,458,006
Restricted surplus		
Contingencies, gravel and general operations	918,980	841,660
Transportation and general capital	353,495	308,495
Water and sewer	38,000	-
Equity in tangible capital assets	<u>9,159,592</u>	<u>9,451,187</u>
	<u><b>12,984,000</b></u>	<u><b>13,059,348</b></u>

**13. Segmented Disclosure**

The Municipal District of Acadia No. 34 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).

**Notes to the Financial Statements  
 For The Year Ended December 31, 2019**

**14. 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:

	2019			2018
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Reeve				
Peter Rafa	9,450	320	9,770	9,671
Councillors				
William Vandeligt	6,030	136	6,166	6,417
Tim Peers	6,580	178	6,758	7,378
Aaron Skappak	7,570	224	6,797	9,258
Ron Hoyt	5,640	147	5,787	5,894
Designated officers (2 positions)	119,093	7,440	126,533	133,281
Municipal administrator Jason Wallsmith	94,422	13,994	108,416	113,454
	<u>248,785</u>	<u>22,439</u>	<u>270,227</u>	<u>285,353</u>

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, per diems 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, healthcare, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

**15. Financial Instruments**

The Municipal District's financial instruments consist of cash and temporary investments, receivables, other financial assets, accounts payable and accrued liabilities, deferred revenue, and long-term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risk arising from these financial statements.

The Municipal District is subject to credit risk with respect to taxes and grants in place of taxes and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipal District 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 the financial instruments approximates their carrying values.

**Notes to the Financial Statements  
For The Year Ended December 31, 2019**

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**16. Local Authorities Pension Plan**

Employees of the Municipal District participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipal District is required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions of the Municipal District of Acadia No. 34 to the LAPP in 2019 were \$27,036 (2018 - \$38,233).

Total current service contributions by the employees of the Municipal District of Acadia No. 34 to the LAPP in 2019 were \$24,403 (2018 - \$34,856).

At December 31, 2018, the LAPP disclosed a surplus of \$3.5 million.

**17. Contingencies**

The Municipal District of Acadia No. 34 is a member of both the Genesis Reciprocal Insurance Exchange and Jubilee Reciprocal Insurance Exchange. Under the terms of each membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchanges. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

**18. Approval of Financial Statements**

These financial statements were approved by Council and Administration on March 10, 2020.

**19. Budgeted Figures**

The budgeted figures have not been audited and are presented for information purposes only.