

VILLAGE OF GLENDON

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019

Auditor's Responsibilities for the Audit of the 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 the 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 the 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 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 consolidated financial statements or, if such disclosure 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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the 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.

St. Paul, Alberta
March 9, 2020

JMD Group LLP
CHARTERED ACCOUNTANTS

**VILLAGE OF GLENDON
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Revenues			
Net municipal taxes (schedule 3)	\$ 406,928	\$ 406,927	\$ 408,755
Sales and user fees	179,000	176,480	181,476
Government transfers for operating (schedule 4)	650,642	588,794	668,033
Investment income	35,000	66,252	35,278
Penalties and costs of taxes	18,000	18,849	19,584
Licenses and permits	3,300	4,591	5,538
Franchise and concession contracts	17,750	18,260	17,768
Rentals and leases	8,400	8,970	8,820
Other	<u>17,926</u>	<u>17,157</u>	<u>2,646</u>
	<u>1,336,946</u>	<u>1,306,280</u>	<u>1,347,898</u>
Expenses			
Legislative	43,210	33,403	34,635
Administration	252,610	267,036	221,624
Protective services	28,779	42,023	18,779
Roads, streets, walks, lighting	351,264	302,895	314,430
Water supply	242,156	219,224	226,825
Wastewater treatment and disposal	117,556	103,289	90,384
Waste management	74,639	62,777	54,553
Family and community support services	14,036	10,273	14,701
Parks and recreation	<u>152,261</u>	<u>442,812</u>	<u>104,827</u>
	<u>1,276,511</u>	<u>1,483,732</u>	<u>1,080,758</u>
Excess (deficiency) of revenues over expenses before other	60,435	(177,452)	267,140
Other			
Contributed tangible capital assets	--	17,685	--
Gain on disposal of tangible capital assets	--	--	996
Government transfers for capital (schedule 4)	<u>2,383,838</u>	<u>1,276,194</u>	<u>1,868,239</u>
Excess of revenues over expenses	2,444,273	1,116,427	2,136,375
Accumulated surplus, beginning of year	<u>9,517,871</u>	<u>9,517,871</u>	<u>7,381,496</u>
Accumulated surplus, end of year	\$ <u>11,962,144</u>	\$ <u>10,634,298</u>	\$ <u>9,517,871</u>

**VILLAGE OF GLENDON
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 1,116,427	\$ 2,136,375
Non-cash items included		
Amortization of tangible capital assets	316,236	286,495
Gain on disposal of tangible capital assets	--	(996)
Proceeds on disposal of tangible capital assets	--	1,000
Tangible capital assets received as contributions	(17,685)	--
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes receivable	25,878	(4,094)
Receivable from other governments	(681,935)	(120,342)
Trade and other receivables	4,721	595
Loan receivable	12,500	12,500
Prepaid expenses	(11,104)	(883)
Increase (decrease) in		
Accounts payable and accrued liabilities	(7,653)	(3,983)
Wages and benefits payable	(1,678)	903
Deferred revenue	1,025,135	(2,734)
Net cash from operations	<u>1,780,842</u>	<u>2,304,836</u>
Investing		
Increase in restricted cash	(467,712)	--
Long-term investments redeemed	<u>10</u>	<u>--</u>
	<u>(467,702)</u>	<u>--</u>
Capital		
Acquisition of tangible capital assets	(1,768,758)	(1,374,164)
Change in cash during the year	(455,618)	930,672
Cash, beginning of year	<u>2,726,949</u>	<u>1,796,277</u>
Cash, end of year	\$ <u>2,271,331</u>	\$ <u>2,726,949</u>
Cash is made up of:		
Cash and notice accounts	\$ 2,739,043	\$ 2,726,949
Temporary investments	<u>(467,712)</u>	<u>--</u>
	\$ <u>2,271,331</u>	\$ <u>2,726,949</u>

**VILLAGE OF GLENDON
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cost	Land		Engineered Structures		Machinery & Equipment		Vehicles		2018		2019		2018	
	Land	Improvements	Buildings	Structures	& Equipment	Vehicles	2018	2019	2018	2019	2018	2019	2018	2019
Balance, beginning of year	\$ 258,122	\$ 506,277	\$ 1,163,797	\$ 8,020,640	\$ 501,802	\$ 312,691	\$ 10,763,329	\$ 9,394,910						
Acquisition of tangible capital assets	177,600	26,783	228,311	1,271,593	8,123	74,033	1,786,443	1,374,164						
Disposal of tangible capital assets	--	--	--	--	--	--	--	(5,745)						
Balance, end of year	<u>435,722</u>	<u>533,060</u>	<u>1,392,108</u>	<u>9,292,233</u>	<u>509,925</u>	<u>386,724</u>	<u>12,549,772</u>	<u>10,763,329</u>						
Accumulated amortization														
Balance, beginning of year	--	98,970	744,729	3,014,253	144,393	282,338	4,284,683	4,003,929						
Annual amortization	--	19,645	23,188	210,841	44,070	18,492	316,236	286,495						
Accumulated amortization on disposals	--	--	--	--	--	--	--	(5,741)						
Balance, end of year	--	<u>118,615</u>	<u>767,917</u>	<u>3,225,094</u>	<u>188,463</u>	<u>300,830</u>	<u>4,600,919</u>	<u>4,284,683</u>						
Net book value of tangible capital assets	<u>\$ 435,722</u>	<u>\$ 414,445</u>	<u>\$ 624,191</u>	<u>\$ 6,067,139</u>	<u>\$ 321,462</u>	<u>\$ 85,894</u>	<u>\$ 7,948,853</u>	<u>\$ 6,478,646</u>						
2018 Net book value of tangible capital assets	<u>\$ 258,122</u>	<u>\$ 407,307</u>	<u>\$ 419,068</u>	<u>\$ 5,006,387</u>	<u>\$ 357,409</u>	<u>\$ 30,353</u>	<u>\$ 6,478,646</u>							

VILLAGE OF GLENDON
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Recreation and Culture</u>	<u>Other</u>	<u>Total</u>
Revenues							
Net municipal taxes	\$ 406,927	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 406,927
Sales and user fees	2,155	--	200	170,912	3,213	--	176,480
Government transfers for operating	329,694	16,800	2,362	225,902	--	14,036	588,794
Investment income	66,252	--	--	--	--	--	66,252
Other operating revenues	48,550	14,427	--	--	4,850	--	67,827
Contributed tangible capital assets	--	--	--	--	17,685	--	17,685
Government transfers for capital	<u>--</u>	<u>--</u>	<u>740,838</u>	<u>--</u>	<u>555,356</u>	<u>--</u>	<u>1,276,194</u>
	<u>853,578</u>	<u>31,227</u>	<u>743,400</u>	<u>396,814</u>	<u>561,104</u>	<u>14,036</u>	<u>2,600,159</u>
Expenses							
Salaries, wages and benefits	153,957	--	89,370	100,897	9,893	--	354,117
Contracted and general services	93,995	17,228	22,217	91,608	44,868	3,252	273,168
Materials, goods, supplies and utilities	12,922	23,316	57,342	55,391	8,197	7,020	164,188
Transfers to others	--	1,479	--	--	342,892	--	344,371
Other expenses	<u>28,108</u>	<u>--</u>	<u>--</u>	<u>3,544</u>	<u>--</u>	<u>--</u>	<u>31,652</u>
	<u>288,982</u>	<u>42,023</u>	<u>168,929</u>	<u>251,440</u>	<u>405,850</u>	<u>10,272</u>	<u>1,167,496</u>
Net revenue before amortization	564,596	(10,796)	574,471	145,374	155,254	3,764	1,432,663
Amortization expense	<u>(11,457)</u>	<u>--</u>	<u>(133,966)</u>	<u>(133,852)</u>	<u>(56,961)</u>	<u>--</u>	<u>(316,236)</u>
Net revenue	<u>\$ 553,139</u>	<u>\$ (10,796)</u>	<u>\$ 440,505</u>	<u>\$ 11,522</u>	<u>\$ 118,293</u>	<u>\$ 3,764</u>	<u>\$ 1,116,427</u>

VILLAGE OF GLENDON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Significant Accounting Policies - continued

(d) Cash

Cash is defined as petty cash, cash and cash in chequing accounts adjusted for outstanding cheques and deposits.

(e) Investments

Investments consist of cash in savings accounts with 30 - 90 day withdrawal notice requirements. Investments are recorded at amortized cost.

(f) 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.

(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) 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.

(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 for the year.

VILLAGE OF GLENDON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

3. Taxes Receivable		<u>2019</u>	<u>2018</u>
Current		\$ 35,790	\$ 46,961
Arrears		54,848	59,850
Allowance		(52,705)	(43,000)
		<u>\$ 37,933</u>	<u>\$ 63,811</u>

4. Loan Receivable

Non-interest-bearing loan provided to the Glendon Agricultural Society. Repayable in quarterly instalments of \$3,125 (\$12,500 annually).

5. Long-Term Investments		<u>2019</u>	<u>2018</u>
Share in Alberta Municipal Finance Corporation		\$ --	\$ 10
UFA Equity		<u>3,170</u>	<u>3,170</u>
		<u>\$ 3,170</u>	<u>\$ 3,180</u>

6. Employee Benefit Obligation

Included in wages and benefits payable is a vacation liability of \$21,344 (2018 - \$21,950). The vacation liability is comprised of the vacation that employees have earned and are entitled to within the next budgetary year.

7. Deferred Revenue		<u>2019</u>	<u>2018</u>
MSI Capital		\$ 307,423	\$ --
Federal Gas Tax Fund		250,000	--
Government of Alberta – ID 349 Funding		<u>467,712</u>	<u>--</u>
		<u>\$ 1,025,135</u>	<u>\$ --</u>

Funding in the amount of \$2,217,647 was received in the current year from various federal and provincial government programs and local governments. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements. Unexpended funds related to these advances and other deferred revenue are supported by funds in savings accounts of \$467,712.

VILLAGE OF GLENDON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

10. Local Authorities Pension Plan

Employees of the village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 266,000 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the village to the LAPP in 2019 were \$22,673 (2018 - \$25,017). Total current service contributions by the employees of the village to the LAPP in 2019 were \$20,471 (2018 - \$22,828).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion.

11. Segmented Disclosure

The Village of Glendon 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 Schedule 6 – Segmented Disclosure.

12. Operating Line of Credit

The village has a prime minus ¼% authorized operating line of credit of \$400,000 with the Alberta Treasury Branch. No balance was outstanding as at December 31, 2019.

VILLAGE OF GLENDON
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

15. Contaminated Sites Liability

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2019 (2018 – nil) as a result of this standard.

16. Approval of Financial Statements

Council has approved these financial statements.

17. Budget Amounts

Budget amounts are included for information purposes only and are not audited.

18. Recent Accounting Pronouncements Published But Not Yet Adopted

(a) PSAS Section 1201, Financial Statement Presentation

Revised standard is effective beginning on or after April 1, 2021, when sections PS2601 and PS3450 are adopted.

(b) PSAS Section 2601, Foreign Currency Transactions

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements. It applies to years beginning on or after April 1, 2021.

(c) PSAS Section 3041, Portfolio Investments

This standard addresses the distinction between temporary and portfolio investments. The standard is effective beginning on or after April 1, 2021, when sections PS1201, PS2601 and PS3450 are adopted.

(d) PSAS Section 3280, Asset Retirement Obligations

This standard is intended to provide guidance on accounting for asset retirement obligations and will apply in years beginning on or after April 1, 2021.

(e) PSAS Section 3400, Revenue

This standard will provide greater clarity on the difference between exchange and non-exchange transactions. It applies in years beginning on or after April 1, 2022.

(f) PSAS Section 3450, Financial Instruments

This standard establishes recognition, measurement and disclosure requirements for derivative and non- derivative financial instruments. It applies to years beginning on or after April 1, 2021.