

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

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Lougheed:

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Village of Lougheed (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 Lougheed 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 7.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 11.

M.D. of Wainwright

April 9, 2019

Brian King Professional Corporation

Chartered Professional Accountant

VILLAGE OF LOUGHEED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash (Note 2)	502,695	136,376
Taxes and grants in place of taxes (Note 3)	159,923	221,359
Trade and other receivables	24,404	46,553
Receivable from other governments	187,565	582,055
Inventory held for resale	65,890	65,890
	<u>940,477</u>	<u>1,052,233</u>
LIABILITIES		
Bank indebtedness (Note 4)	-	2,000
Accounts payable and accrued liabilities	148,674	35,044
Deferred revenue (Note 5)	190,925	378,493
Long term debt (Note 6)	30,665	38,760
	<u>370,264</u>	<u>454,297</u>
NET FINANCIAL ASSETS	<u>570,213</u>	<u>597,936</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>2,913,881</u>	<u>2,623,710</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>3,484,094</u>	<u>3,221,646</u>

VILLAGE OF LOUGHEED

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

	Budget (unaudited)	2018	2017
REVENUE			
Net municipal property taxes (Schedule 3)	345,325	343,101	325,065
User fees and sales of goods	207,850	176,405	189,582
Penalties and costs on taxes	32,500	34,345	46,631
Licenses and permits	100	770	18,997
Fines	300	1,902	333
Franchise and concession contracts	25,000	26,039	24,887
Investment income	-	123	86
Rentals	9,500	8,870	13,421
Government transfers for operating	54,105	83,649	57,693
Other	-	7,076	35,932
	<u>674,680</u>	<u>682,280</u>	<u>712,627</u>
EXPENSES			
Legislative	22,100	16,783	18,520
Administration	190,300	212,001	248,494
Protective services	35,150	31,243	23,156
Transportation	183,250	164,093	116,583
Water supply and distribution	129,750	129,339	113,363
Wastewater treatment and disposal	37,900	72,309	69,718
Waste management	39,600	39,786	39,909
Public health and welfare	8,680	9,569	8,046
Planning and development	1,400	2,974	18,549
Recreation	14,350	18,285	12,381
Culture	7,500	7,934	6,568
Amortization	-	120,835	118,968
	<u>669,980</u>	<u>825,151</u>	<u>794,255</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	4,700	(142,871)	(81,628)
OTHER			
Government transfers for capital (Schedule 4)	-	405,319	128,730
EXCESS OF REVENUE OVER EXPENSES	4,700	262,448	47,102
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,221,646</u>	<u>3,221,646</u>	<u>3,174,544</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>3,226,346</u></u>	<u><u>3,484,094</u></u>	<u><u>3,221,646</u></u>

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

	Budget (unaudited)	2018	2017
	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUE OVER EXPENSES	<u>4,700</u>	<u>262,448</u>	<u>47,102</u>
Acquisition of tangible capital assets	-	(411,006)	(125,704)
Amortization of tangible capital assets	-	120,835	118,968
	<u>-</u>	<u>(290,171)</u>	<u>(6,736)</u>
INCREASE IN NET FINANCIAL ASSETS	4,700	(27,723)	40,366
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>597,936</u>	<u>597,936</u>	<u>557,570</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>602,636</u></u>	<u><u>570,213</u></u>	<u><u>597,936</u></u>

VILLAGE OF LOUGHEED

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	262,448	47,102
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	120,835	118,968
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	61,436	(50,034)
Decrease (increase) in trade and other receivables	22,149	9,224
Decrease (increase) in receivable from other governments	394,490	(167,654)
Increase (decrease) in accounts payable and accrued liabilities	113,630	(13,377)
Increase (decrease) in deferred revenue	(187,568)	76,163
	787,420	20,392
CAPITAL		
Acquisition of tangible capital assets	(411,006)	(125,704)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(107,050)	-
FINANCING		
Long-term debt repaid	(8,095)	(7,620)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	261,269	(112,932)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	134,376	247,308
CASH AND CASH EQUIVALENTS, END OF YEAR	395,645	134,376
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	50	50
Cash in bank	502,645	136,326
Bank indebtedness	-	(2,000)
Less: restricted portion of cash and temporary investments (Note 2)	(107,050)	-
	395,645	134,376

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	587,781	48,915	2,584,950	3,221,646	3,174,544
Excess of revenues over expenses	262,448	-	-	262,448	47,102
Current year funds used for tangible capital assets	(411,006)	-	411,006	-	-
Annual amortization expense	120,835	-	(120,835)	-	-
Long term debt repaid	(8,095)	-	8,095	-	-
Change in accumulated surplus	(35,818)	-	298,266	262,448	47,102
BALANCE, END OF YEAR	551,963	48,915	2,883,216	3,484,094	3,221,646

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

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2018	2017
COST:								
Balance - beginning of year	37,010	26,000	220,721	4,017,149	422,833	184,054	4,907,767	4,782,063
Acquisition of tangible capital assets	-	-	56,326	354,680	-	-	411,006	125,704
Balance - end of year	37,010	26,000	277,047	4,371,829	422,833	184,054	5,318,773	4,907,767
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	780	115,442	1,783,606	251,206	133,023	2,284,057	2,165,089
Annual amortization	-	520	5,493	87,303	20,317	7,202	120,835	118,968
Balance - end of year	-	1,300	120,935	1,870,909	271,523	140,225	2,404,892	2,284,057
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	37,010	24,700	156,112	2,500,920	151,310	43,829	2,913,881	2,623,710
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	37,010	-	105,279	2,233,543	171,627	51,031	2,598,490	

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

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	380,724	378,522	359,101
Linear property taxes	16,032	16,032	15,278
	<u>396,756</u>	<u>394,554</u>	<u>374,379</u>
REQUISITIONS			
Alberta School Foundation	48,784	48,784	46,709
Designated Industrial Levy	-	22	
Flagstaff Regional Housing Group	2,647	2,647	2,605
	<u>51,431</u>	<u>51,453</u>	<u>49,314</u>
NET MUNICIPAL TAXES	<u>345,325</u>	<u>343,101</u>	<u>325,065</u>

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

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial Government	36,605	67,763	36,605
Local Governments	17,500	15,886	21,088
	<u>54,105</u>	<u>83,649</u>	<u>57,693</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	50,000	50,000
Provincial Government	-	355,319	78,730
	<u>-</u>	<u>405,319</u>	<u>128,730</u>
TOTAL GOVERNMENT TRANSFERS	<u>54,105</u>	<u>488,968</u>	<u>186,423</u>

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

	Budget (Unaudited)	2018	2017
Expenditures			
Salaries, wages and benefits	263,400	284,756	261,772
Contracted and general services	289,700	288,191	274,591
Materials, goods and utilities	103,300	110,893	94,234
Provision for allowances	-	6,446	31,383
Transfers to local boards and agencies	9,280	8,912	9,349
Bank charges and short term interest	200	630	446
Interest on capital long term debt	3,600	2,113	2,611
Other expenditures	500	2,375	901
Amortization of tangible capital assets	-	120,835	118,968
	<u>669,980</u>	<u>825,151</u>	<u>794,255</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	343,101	-	-	-	-	-	-	343,101
User fees and sales of goods	1,241	-	1,495	169,434	400	-	3,835	176,405
Penalties and costs on taxes	27,356	-	-	6,989	-	-	-	34,345
Licenses and permits	525	245	-	-	-	-	-	770
Fines	-	1,902	-	-	-	-	-	1,902
Franchise and concession contracts	26,039	-	-	-	-	-	-	26,039
Investment income	123	-	-	-	-	-	-	123
Rentals	8,870	-	-	-	-	-	-	8,870
Government transfers	63,591	13,386	4,172	-	2,500	-	-	83,649
Other	423	1,038	-	700	2,215	-	2,700	7,076
	<u>471,269</u>	<u>16,571</u>	<u>5,667</u>	<u>177,123</u>	<u>5,115</u>	<u>-</u>	<u>6,535</u>	<u>682,280</u>
EXPENSES								
Salaries, wages and benefits	129,648	2,180	88,522	60,655	497	-	3,254	284,756
Contracted and general services	85,217	15,642	29,081	143,061	5,731	368	9,091	288,191
Materials, goods and utilities	6,241	10,502	45,523	37,718	1,114	-	9,795	110,893
Provision for allowances	6,446	-	-	-	-	-	-	6,446
Transfers to local boards and agencies	-	-	-	-	2,227	2,606	4,079	8,912
Bank charges and short term interest	630	-	-	-	-	-	-	630
Interest on capital long term debt	-	1,146	967	-	-	-	-	2,113
Other expenditures	602	1,773	-	-	-	-	-	2,375
	<u>228,784</u>	<u>31,243</u>	<u>164,093</u>	<u>241,434</u>	<u>9,569</u>	<u>2,974</u>	<u>26,219</u>	<u>704,316</u>
NET REVENUE, BEFORE AMORTIZATION	<u>242,485</u>	<u>(14,672)</u>	<u>(158,426)</u>	<u>(64,311)</u>	<u>(4,454)</u>	<u>(2,974)</u>	<u>(19,684)</u>	<u>(22,036)</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	2,590	8,595	47,426	61,704	-	-	520	120,835
NET REVENUE	<u><u>239,895</u></u>	<u><u>(23,267)</u></u>	<u><u>(205,852)</u></u>	<u><u>(126,015)</u></u>	<u><u>(4,454)</u></u>	<u><u>(2,974)</u></u>	<u><u>(20,204)</u></u>	<u><u>(142,871)</u></u>

VILLAGE OF LOUGHEED

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Lougheed 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 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 LOUGHEED

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) 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.

VILLAGE OF LOUGHEED

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Tax revenue

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

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

i) 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.

j) 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.

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	25
Engineered structures - water system	30-75
Engineered structures - wastewater system	50-75
Machinery and equipment	7-20
Vehicles	10-25

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.

VILLAGE OF LOUGHEED

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 5)		
Municipal Sustainability Initiative - capital	107,050	-
Municipal Sustainability Initiative - operating	-	
Federal Gas Tax	-	
	107,050	-
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)		
	<u>48,915</u>	<u>48,915</u>
Total restricted cash and term deposits	<u>263,015</u>	<u>48,915</u>
Total unrestricted cash and term deposits	<u>239,680</u>	<u>87,461</u>

VILLAGE OF LOUGHEED

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

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2018	2017
Current taxes and grants in place of taxes	54,174	80,225
Arrears taxes	38,500	90,917
Property held by the village as a result of tax forfeiture	142,485	127,993
	235,159	299,135
Less: allowance for doubtful accounts	75,236	77,776
	159,923	221,359

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$110,000 bearing interest at Prime, secured by all assets of the village at large.

5. DEFERRED INCOME

Deferred income consists of the following:

	2018	2017
Municipal Sustainability Initiative - capital	190,925	378,493

6. LONG TERM DEBT

	2018	2017
Alberta Capital Finance Authority	30,665	38,760

Principal and interest payments are as follows:

	Principal	Interest	Total
2019	8,598	1,863	10,461
2020	9,133	1,328	10,461
2021	2,962	760	3,722
2022	3,136	586	3,722
2023	3,320	402	3,722
Thereafter	3,516	206	3,722
	30,665	5,145	35,810

Debenture debt repayable to the Alberta Capital Finance Authority bears interest between 5.875% and 6.375% and matures between 2020 and 2024 and is secured by the credit and security of the village at large.

The village's total cash payments for interest on long term debt in 2018 were \$2,367 (2017 - \$2,841).

VILLAGE OF LOUGHEED

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

7. DEBT LIMITS

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

	<u>2018</u>	<u>2017</u>
Total debt limit	1,023,420	1,068,941
Total debt	30,665	40,760
Surplus debt limit	<u>992,755</u>	<u>1,028,181</u>
Debt servicing limit	170,570	178,157
Debt servicing	10,461	12,522
Surplus debt servicing	<u>160,109</u>	<u>165,635</u>

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

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	5,318,773	4,907,767
Accumulated amortization (Schedule 2)	(2,404,892)	(2,284,057)
Long-term debt (Note 6)	<u>(30,665)</u>	<u>(38,760)</u>
	<u>2,883,216</u>	<u>2,584,950</u>

VILLAGE OF LOUGHEED

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

9. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	<u>551,963</u>	<u>587,781</u>
Restricted surplus		
General	39,384	39,384
Cemetery	7,554	7,554
Recreation	<u>1,977</u>	<u>1,977</u>
	<u>48,915</u>	<u>48,915</u>
Equity in tangible capital assets	<u>2,883,216</u>	<u>2,584,950</u>
	<u>3,484,094</u>	<u>3,221,646</u>

10. SEGMENTED DISCLOSURE

The Village of Lougheed 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 LOUGHEED

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

11. SALARY AND BENEFITS DISCLOSURE

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

	2018			2017
	Salary	Benefits & Allowances	Total	Total
Armer	2,025	-	2,025	2,105
Bishop	450	-	450	800
Cameron	-	-	-	1,400
Cogan	-	-	-	300
Martin	3,100	-	3,100	800
Smith	8,200	79	8,279	8,860
Twerdochlib	-	-	-	800
CAO	-	-	-	31,003
CAO	73,888	18,134	92,022	77,246
Designated Officer (1)	6,928	-	6,928	6,796

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

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

12. 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 259,714 people and 420 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 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 village 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 by the village to the LAPP in 2018 were \$17,774. Total current service contributions by the employees of the village to the Local Authorities Pension Plan in 2018 were \$16,341.

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.835 Billion.

VILLAGE OF LOUGHEED

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

13. CONTINGENCIES

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

The village is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

14. 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.

15. 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.

VILLAGE OF LOUGHEED

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

16. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The village has prepared its budget according to the former accounting standards that were in place prior to 2009 which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2018	2017
Excess of revenue over expenditures, per financial statements	4,700	262,448	47,102
Adjustments			
Amortization expense	-	120,835	118,968
Acquisition of tangible capital assets	-	(411,006)	(125,704)
Results of operations - previous methods	4,700	(27,723)	40,366
Debenture repaid	(6,900)	(8,095)	(7,620)
Increase (decrease) in unrestricted surplus	<u>(2,200)</u>	<u>(35,818)</u>	<u>32,746</u>

17. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.