

VILLAGE OF MARWAYNE
Consolidated Financial Statements
Year Ended December 31, 2018



VILLAGE OF MARWAYNE
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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Village of Marwayne

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2018 and 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 Consolidated Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

(continues)

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

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Village or to cease operations, or has no realistic alternative but to do so.

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

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 an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Villages'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 Villages's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.

Independent Auditor's Report to the Mayor and Council of Village of Marwayne *(continued)*

- 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.

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 Village's debt limit can be found in Note 10.
- **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 note the information required can be found in Note 1.

Leckie & Associates LLP

Lloydminster, Alberta

March 25, 2019

CHARTERED PROFESSIONAL
ACCOUNTANTS

VILLAGE OF MARWAYNE
Consolidated Statement of Financial Position
December 31, 2018

FINANCIAL ASSETS

| | | |
|--|------------------|------------------|
| Cash and temporary investments (Note 2) | \$ 2,283,640 | \$ 1,949,119 |
| Receivable | | |
| Taxes and grants in place of taxes receivable (Note 3) | 67,981 | 76,700 |
| Trade, utilities and grants receivable (Note 3) | 567,641 | 444,945 |
| Inventory held for resale | 122,320 | 128,928 |
| Investments (Note 4) | 6 | 6 |
| | <u>3,041,588</u> | <u>2,599,698</u> |

LIABILITIES

| | | |
|--|------------------|------------------|
| Accounts payable and accrued liabilities | 307,852 | 121,291 |
| Deferred revenue (Note 6) | 101,385 | 165,141 |
| Long term debt (Note 9) | 1,380,617 | 772,893 |
| | <u>1,789,854</u> | <u>1,059,325</u> |

NET FINANCIAL ASSETS

1,251,734 1,540,373

NON-FINANCIAL ASSETS

| | | |
|--|-------------------|------------------|
| Prepaid expenses | 899 | 6,498 |
| Tangible capital assets (Note 5) | 10,629,947 | 8,940,467 |
| Cultural and historical assets (Note 12) | 689 | 689 |
| | <u>10,631,535</u> | <u>8,947,654</u> |

ACCUMULATED SURPLUS (Note 13)

\$ 11,883,269 \$ 10,488,027

COMMITMENTS AND CONTINGENCIES (Note 17)

APPROVED ON BEHALF OF COUNCIL

_____ Council member

_____ Council member



VILLAGE OF MARWAYNE
Consolidated Statement of Operations
Year Ended December 31, 2018

| | Budget | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|
| REVENUES | | | |
| Net municipal taxes (Schedule 3) | \$ 432,258 | \$ 443,667 | \$ 431,639 |
| User fees and sale of goods | 513,965 | 484,651 | 500,620 |
| Government transfers for operating (Schedule 4) | 190,010 | 159,390 | 265,274 |
| Investment income | 15,000 | 40,561 | 20,739 |
| Penalties on and costs of taxes | 17,500 | 19,600 | 22,502 |
| Licenses and permits | 1,010 | 2,491 | 1,303 |
| Other | 66,214 | 97,724 | 72,671 |
| | <u>1,235,957</u> | <u>1,248,084</u> | <u>1,314,748</u> |
| EXPENSES | | | |
| Amortization | 345,596 | 398,160 | 345,596 |
| Legislative | 29,250 | 31,015 | 25,110 |
| Administration | 187,848 | 169,423 | 248,448 |
| Fire and by-laws enforcement | 33,681 | 34,600 | 38,680 |
| Ambulance and disaster services | 1,200 | 1,289 | 1,229 |
| Roads, streets, walks, lighting | 203,067 | 171,647 | 176,375 |
| Water supply and distribution | 332,333 | 232,523 | 353,363 |
| Wastewater treatment and disposal | 62,595 | 72,651 | 42,509 |
| Waste management | 73,055 | 67,531 | 64,766 |
| Family and community services | 39,963 | 18,381 | 32,726 |
| Land use planning, housing, rentals | 89,500 | 52,194 | 157,511 |
| Recreation and parks | 53,619 | 48,283 | 24,356 |
| Culture, library | 5,378 | 4,463 | 4,773 |
| Loss on disposal of capital assets | - | 1,808 | 36,215 |
| | <u>1,457,085</u> | <u>1,303,968</u> | <u>1,551,657</u> |
| DEFICIENCY OF REVENUE OVER EXPENSES - BEFORE OTHER ITEMS | <u>(221,128)</u> | <u>(55,884)</u> | <u>(236,909)</u> |
| OTHER ITEMS | | | |
| Contributed assets | - | - | 638,470 |
| Government transfers for capital (Schedule 4) | 2,273,595 | 1,451,126 | 918,664 |
| | <u>2,273,595</u> | <u>1,451,126</u> | <u>1,557,134</u> |
| EXCESS OF REVENUE OVER EXPENSES | 2,052,467 | 1,395,242 | 1,320,225 |
| ACCUMULATED SURPLUS - BEGINNING OF YEAR | <u>10,488,027</u> | <u>10,488,027</u> | <u>9,167,802</u> |
| ACCUMULATED SURPLUS - END OF YEAR | <u>\$ 12,540,494</u> | <u>\$ 11,883,269</u> | <u>\$ 10,488,027</u> |



VILLAGE OF MARWAYNE
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

| | Budget | 2018 | 2017 |
|--|---------------------|----------------------------|---------------------|
| EXCESS OF REVENUES OVER EXPENSES | \$ 2,052,467 | \$ 1,395,242 | \$ 1,320,225 |
| Purchase of tangible capital assets | (2,274,243) | (2,089,448) | (1,133,474) |
| Proceeds on disposal of tangible capital assets | - | - | 5,700 |
| Amortization of tangible capital assets | 345,596 | 398,160 | 345,596 |
| Loss on disposal of tangible capital assets | - | 1,808 | 36,215 |
| Decrease (increase) in prepaid expenses | - | 5,599 | (1,910) |
| | <u>(1,928,647)</u> | <u>(1,683,881)</u> | <u>(747,873)</u> |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | 123,820 | (288,639) | 572,352 |
| Net financial assets - beginning of year | <u>1,540,373</u> | <u>1,540,373</u> | <u>968,021</u> |
| NET FINANCIAL ASSETS - END OF YEAR | <u>\$ 1,664,193</u> | <u>\$ 1,251,734</u> | <u>\$ 1,540,373</u> |



VILLAGE OF MARWAYNE
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

| | 2018 | 2017 |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 1,395,242 | \$ 1,320,225 |
| Items not affecting cash: | | |
| Amortization of tangible capital assets | 398,160 | 345,596 |
| Loss on disposal of tangible capital assets | 1,808 | 36,215 |
| | <u>1,795,210</u> | <u>1,702,036</u> |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in taxes and grants in place of taxes receivable | 8,720 | (3,197) |
| Increase in trade, utilities and grants receivable | (122,696) | (218,271) |
| Decrease in land held for resale | 6,608 | - |
| Increase (decrease) in accounts payable and accrued liabilities | 186,561 | (86,278) |
| Decrease in deferred revenue | (63,757) | (248,079) |
| Increase (decrease) in prepaid expenses | 5,599 | (1,910) |
| | <u>21,035</u> | <u>(557,735)</u> |
| Cash flow from operating activities | <u>1,816,245</u> | <u>1,144,301</u> |
| CAPITAL | | |
| Acquisition of tangible capital assets | (2,089,448) | (1,133,474) |
| Proceeds on disposal of tangible capital assets | - | 5,700 |
| Cash flow used by capital | <u>(2,089,448)</u> | <u>(1,127,774)</u> |
| FINANCING | | |
| Proceeds from long-term debt | 695,230 | - |
| Long-term debt repaid | (87,506) | (84,557) |
| Cash used by financing | <u>607,724</u> | <u>(84,557)</u> |
| INCREASE (DECREASE) IN CASH FLOW | 334,521 | (68,030) |
| Cash - beginning of year | <u>1,949,119</u> | <u>2,017,149</u> |
| CASH - END OF YEAR (Note 2) | \$ 2,283,640 | \$ 1,949,119 |



VILLAGE OF MARWAYNE
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2018

(Schedule 1)

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2018 | 2017 |
|---|-------------------------|-----------------------|---|----------------------|----------------------|
| BALANCE, BEGINNING OF YEAR | \$ 1,477,111 | \$ 843,342 | \$ 8,167,574 | \$ 10,488,027 | \$ 9,167,802 |
| Excess of revenues over expenses | 1,395,242 | - | - | 1,395,242 | 1,320,225 |
| Internally restricted funds designated for capital | 68,692 | (68,692) | - | - | - |
| Current year funds used for tangible capital assets | (2,089,448) | - | 2,089,448 | - | - |
| Disposal of tangible capital assets - net book value | 1,808 | - | (1,808) | - | - |
| Annual amortization expense | 398,160 | - | (398,160) | - | - |
| Proceeds from long-term debt | 695,230 | - | (695,230) | - | - |
| Long term debt repaid | (87,506) | - | 87,506 | - | - |
| Change in accumulated surplus | 382,178 | (68,692) | 1,081,756 | 1,395,242 | 1,320,225 |
| BALANCE, END OF YEAR | \$ 1,859,289 | \$ 774,650 | \$ 9,249,330 | \$ 11,883,269 | \$ 10,488,027 |



VILLAGE OF MARWAYNE
Schedule of Tangible Capital Assets
Year Ended December 31, 2018

(Schedule 2)

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | Construction In Progress | 2018 | 2017 |
|---|-------------------|-------------------|---------------------|-----------------------|-----------------------|-------------------|--------------------------|----------------------|---------------------|
| COST: | | | | | | | | | |
| BALANCE DEC. 31, 2017 | \$ 370,986 | \$ 155,100 | \$ 2,564,102 | \$ 11,074,581 | \$ 171,260 | \$ 425,036 | \$ 31,656 | \$ 14,792,721 | \$ 13,731,321 |
| Acquisition tangible assets | - | - | - | 2,087,848 | 1,600 | - | - | 2,089,448 | 1,133,474 |
| Construction-in-progress | - | - | - | 31,656 | - | - | (31,656) | - | - |
| Disposal tangible assets | - | - | - | (99,986) | - | - | - | (99,986) | (72,074) |
| BALANCE DEC. 31, 2018 | \$ 370,986 | \$ 155,100 | \$ 2,564,102 | \$ 13,094,099 | \$ 172,860 | \$ 425,036 | \$ - | \$ 16,782,183 | \$ 14,792,721 |
| ACCUMULATED AMORTIZATION: | | | | | | | | | |
| BALANCE DEC. 31, 2017 | \$ - | \$ 55,120 | \$ 849,193 | \$ 4,652,836 | \$ 89,594 | \$ 205,511 | \$ - | \$ 5,852,254 | \$ 5,536,818 |
| Annual amortization | - | 4,783 | 48,579 | 303,731 | 8,600 | 32,467 | - | 398,160 | 345,596 |
| Accum. amort. disposals | - | - | - | (98,178) | - | - | - | (98,178) | (30,160) |
| BALANCE DEC. 31, 2018 | \$ - | \$ 59,903 | \$ 897,772 | \$ 4,858,389 | \$ 98,194 | \$ 237,978 | \$ - | \$ 6,152,236 | \$ 5,852,254 |
| NET BOOK VALUE OF CAPITAL ASSETS | \$ 370,986 | \$ 95,197 | \$ 1,666,330 | \$ 8,235,710 | \$ 74,666 | \$ 187,058 | \$ - | \$ 10,629,947 | \$ 8,940,467 |
| 2017 NET BOOK VALUE OF CAPITAL ASSETS | \$ 370,986 | \$ 99,980 | \$ 1,714,909 | \$ 6,421,745 | \$ 81,666 | \$ 219,525 | \$ 31,656 | \$ 8,940,467 | |



VILLAGE OF MARWAYNE
Schedule of Property and Other Taxes
(Schedule 3)

Year Ended December 31, 2018

| | Budget | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|
| TAXATION | | | |
| Real property taxes | \$ 438,558 | \$ 438,256 | \$ 432,951 |
| Business taxes | 103,799 | 115,510 | 105,345 |
| Linear property taxes | 13,883 | 13,883 | 13,371 |
| Government grants in place of property taxes | 908 | 908 | 908 |
| Special assessments and local improvement taxes | 749 | 749 | 749 |
| | 557,897 | 569,306 | 553,324 |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 125,639 | 125,639 | 121,685 |
| | <u>\$ 432,258</u> | <u>\$ 443,667</u> | <u>\$ 431,639</u> |

Schedule of Government Transfers
(Schedule 4)

Year Ended December 31, 2018

| | Budget | 2018 | 2017 |
|---------------------------------|---------------------|---------------------|---------------------|
| TRANSFERS FOR OPERATING: | | | |
| Provincial Government | \$ 190,010 | \$ 159,390 | \$ 265,274 |
| TRANSFERS FOR CAPITAL: | | | |
| Federal Government | 1,268,706 | 853,353 | 219,335 |
| Provincial Government | 1,004,889 | 592,946 | 699,329 |
| Other Local Government | - | 4,827 | - |
| | 2,273,595 | 1,451,126 | 918,664 |
| | <u>\$ 2,463,605</u> | <u>\$ 1,610,516</u> | <u>\$ 1,183,938</u> |



VILLAGE OF MARWAYNE
Schedule of Consolidated Expenses By Object
(Schedule 5)
Year Ended December 31, 2018

| | Budget | 2018 | 2017 |
|---|---------------------|---------------------|---------------------|
| CONSOLIDATED EXPENSES BY OBJECT | | | |
| Salaries, wages, and benefits | \$ 388,731 | \$ 372,897 | \$ 375,239 |
| Contracted and general services | 265,958 | 221,880 | 320,833 |
| Materials, goods, supplies, and utilities | 305,788 | 225,424 | 242,291 |
| Provision for allowances | 1,100 | 1,301 | 12,701 |
| Transfers to local boards and agencies | 42,101 | 29,499 | 49,233 |
| Transfer to individuals and organizations | 76,285 | 16,449 | 136,237 |
| Bank charges and short term interest | 200 | 355 | 214 |
| Interest on capital long term debt | 31,326 | 36,195 | 33,098 |
| Amortization of tangible capital assets | 345,596 | 398,160 | 345,596 |
| Net loss on disposal of tangible capital assets | - | 1,808 | 36,215 |
| | <u>\$ 1,457,085</u> | <u>\$ 1,303,968</u> | <u>\$ 1,551,657</u> |



VILLAGE OF MARWAYNE
Schedule of Segmented Disclosure
Year Ended December 31, 2018

(Schedule 6)

| | General Government | Protective Services | Transportation Services | Planning & Development | Recreation & Culture | Environmental Services | Other | Total |
|---|-----------------------|------------------------|----------------------------|---------------------------|-------------------------|---------------------------|--------------------|---------------------|
| REVENUE | | | | | | | | |
| Property taxes | \$ 443,667 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 443,667 |
| Government transfers | - | - | 50,000 | 41,422 | 4,827 | 1,494,887 | 19,380 | 1,610,516 |
| User fees and sale of goods | 1,447 | 8,726 | 3,033 | 30 | - | 471,415 | - | 484,651 |
| Investment income | 40,561 | - | - | - | - | - | - | 40,561 |
| Other revenue | 51,029 | 3,176 | 686 | 52,033 | 4,611 | 6,955 | 1,325 | 119,815 |
| | <u>536,704</u> | <u>11,902</u> | <u>53,719</u> | <u>93,485</u> | <u>9,438</u> | <u>1,973,257</u> | <u>20,705</u> | <u>2,699,210</u> |
| EXPENSES | | | | | | | | |
| Salaries, wages, and benefits | 134,257 | - | 73,355 | - | 27,582 | 137,703 | - | 372,897 |
| Contracted and general services | 47,039 | 11,025 | 4,269 | 52,194 | 30 | 104,622 | 2,701 | 221,880 |
| Materials, goods, supplies, and utilities | 17,486 | 14,169 | 74,957 | - | 11,208 | 106,265 | 1,339 | 225,424 |
| Provision for allowances | 1,301 | - | - | - | - | - | - | 1,301 |
| Transfers to local boards and agencies | - | 10,695 | - | - | 4,463 | - | 14,341 | 29,499 |
| Transfer to individuals and organizations | - | - | - | - | - | 16,449 | - | 16,449 |
| Bank charges and short term interest | 355 | - | - | - | - | - | - | 355 |
| Interest on capital long term debt | - | - | 19,066 | - | 9,463 | 7,666 | - | 36,195 |
| Loss on disposal of tangible capital assets | - | - | - | - | - | - | 1,808 | 1,808 |
| | <u>200,438</u> | <u>35,889</u> | <u>171,647</u> | <u>52,194</u> | <u>52,746</u> | <u>372,705</u> | <u>20,189</u> | <u>905,808</u> |
| NET REVENUE, BEFORE AMORTIZATION | 336,266 | (23,987) | (117,928) | 41,291 | (43,308) | 1,600,552 | 516 | 1,793,402 |
| Amortization expense | - | 33,742 | 201,027 | - | 24,571 | 119,727 | 19,093 | 398,160 |
| NET REVENUE | \$ 336,266 | \$ (57,729) | \$ (318,955) | \$ 41,291 | \$ (67,879) | \$ 1,480,825 | \$ (18,577) | \$ 1,395,242 |



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Marwayne 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Village are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, 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 and are, therefore, accountable to the Village Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Marwayne Water and Sewer Utilities
Marwayne Waste Disposal System

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 financial 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 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.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 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.

(continues)



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and Temporary Investments

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date. Temporary investments includes any investment with a maturity date of three months or less.

Inventory 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 waste water services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

Investments

Investments are recorded at cost or amortized cost. Investments includes any investment with a maturity date of greater than three months at the reporting date. 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.

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

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 the municipal revenue.

(continues)



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Village is required to fund the closure of its landfill sites 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 Village currently has a transfer station and a contract with Vermillion River Waste Management Authority for disposal of its waste.

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.

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.

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 consolidated Change in Net Financial Assets for the year.

(continues)



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. 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:

| | |
|-------------------------|-------|
| Land improvements | 15-20 |
| Buildings | 25-65 |
| Engineered structures | 15-75 |
| Machinery and equipment | 5-20 |
| Vehicles | 3-20 |

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

i. 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.

ii. 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.

iii. Inventories

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

iv. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed in Note 12.

2. CASH AND TEMPORARY INVESTMENTS

| | 2018 | 2017 |
|-----------------------|--------------|--------------|
| Cash | \$ 1,390,320 | \$ 484,371 |
| Temporary investments | 893,320 | 1,464,748 |
| | \$ 2,283,640 | \$ 1,949,119 |

Temporary investments are short-term deposits with original maturity dates of three months or less with ATB Financial and CIBC Mellon at interest rates of 1.55% and higher.

Council has designated funds of \$774,650 (2017 - \$843,342) included in the above amounts for capital purposes.



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

3. RECEIVABLES

| | 2018 | 2017 |
|---|------------|------------|
| Property Taxes | | |
| Taxes and grants in place of taxes receivable | \$ 46,944 | \$ 57,613 |
| Arrears of taxes | 21,037 | 19,087 |
| Total | 67,981 | 76,700 |
| Other | | |
| Grants receivable | 392,451 | 338,671 |
| Utilities receivable | 37,340 | 41,853 |
| Trade accounts receivable | 48,555 | 38,430 |
| Goods and service tax recoverable | 89,295 | 25,991 |
| Total | 567,641 | 444,945 |
| Total | \$ 635,622 | \$ 521,645 |

During the year, the company recorded impairments of \$1,301 (2017 - \$12,701). This amount is included in administration in the statement of operations and provision for allowances in Schedule 5.

4. INVESTMENTS

| | 2018 | 2017 |
|--|------|------|
| Alberta Central East Water Corporation | \$ 6 | \$ 6 |

The Village of Marwayne owns 601 Class A voting shares in Alberta Central East Water Corporation. This represents a 5% interest in Alberta Central East Water Corporation.

5. TANGIBLE CAPITAL ASSETS

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|--------------------------|---------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 370,986 | \$ - | \$ 370,986 | \$ 370,986 |
| Land improvements | 155,100 | 59,903 | 95,197 | 99,980 |
| Buildings | 2,564,102 | 897,772 | 1,666,330 | 1,714,909 |
| Engineered structures | 13,094,099 | 4,858,389 | 8,235,710 | 6,421,745 |
| Machinery and equipment | 172,860 | 98,194 | 74,666 | 81,666 |
| Vehicles | 425,036 | 237,978 | 187,058 | 219,525 |
| Construction-in-progress | - | - | - | 31,656 |
| | \$ 16,782,183 | \$ 6,152,236 | \$ 10,629,947 | \$ 8,940,467 |



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

6. DEFERRED REVENUE

| | 2018 | 2017 |
|---|------------|------------|
| Alberta Community Partnership | \$ 73,199 | \$ 135,306 |
| Business Revitalization Program | 23,013 | 14,285 |
| County of Vermilion River Park Trust Fund | 5,173 | 10,000 |
| Pasture Rent | - | 5,550 |
| | \$ 101,385 | \$ 165,141 |

The Alberta Community Partnership grant is to be used with the collaboration of the Village of Marwayne and the Villages of Dewberry and Kitscoty for conducting a water and wastewater initiative, purchasing of maintenance equipment and supporting a proactive planning priorities project. The deferred revenue will be recognized in the year the related expenses are incurred.

The Chamber of Commerce provides funds that are restricted for the revitalization of businesses within the Village of Marwayne. The deferred revenue will be recognized in the year the related expenses are incurred.

The County of Vermilion River Park Trust Fund grant is to be used toward the construction of a new playground. The deferred revenue will be recognized in the year the related expenses are incurred.

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The Village of Marwayne has two landfill sites that have been closed for years. The Village monitors these sites as required by law. The Village has not estimated any costs of post-closure care for these landfill sites. There is no immediate designated use for the property. Any future use will be assessed and relevant post-closure care requirements will be addressed at that time.

The Village has not designated any assets for settling post-closure liabilities.

8. CONTAMINATED SITES LIABILITY

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

9. LONG TERM DEBT

| | 2018 | 2017 |
|--|----------------------------|--------------------------|
| #1 Self supported debenture repaid in year | \$ - | \$ 41,768 |
| #2 Self supported debenture | 61,301 | 74,441 |
| #3 Self supported debenture | 215,769 | 228,600 |
| #4 Self supported debenture | 408,317 | 428,084 |
| #5 Self supported debenture | 695,230 | - |
| | <u>\$ 1,380,617</u> | <u>\$ 772,893</u> |

The current portion of long term debt amounts to \$85,060 (2017 - \$87,506).



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

Principal and interest repayments are due as follows:

| | Principal | Interest | Total |
|---------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 85,060 | \$ 49,421 | \$ 134,481 |
| 2020 | 88,456 | 46,025 | 134,481 |
| 2021 | 91,996 | 42,485 | 134,481 |
| 2022 | 95,690 | 38,792 | 134,482 |
| 2023 | 81,750 | 34,939 | 116,689 |
| 2024 and subsequent | 937,665 | 173,088 | 1,110,753 |
| | <u>\$ 1,380,617</u> | <u>\$ 384,750</u> | <u>\$ 1,765,367</u> |

#1 Debenture debt was repaid in the year.

#2 Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 6.25% per annum, before Provincial subsidy, and matures in 2022. The average annual interest rate is 6.25% for 2018 (6.25% in 2017). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed.

#3 Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 4.269% per annum, before Provincial subsidy, and matures in 2031. The average annual interest rate is 4.269% for 2018 (4.269% in 2017). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed.

#4 Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 3.866% per annum, before Provincial subsidy, and matures in 2033. The average annual interest rate is 3.866% for 2018 (3.866% in 2017). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed.

#5 Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 3.051% per annum, before Provincial subsidy, and matures in 2033. The average annual interest rate is 3.051% for 2018. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed.

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

Interest on long term debt amounted to \$36,195 (2017 - \$33,098).

The Village's total cash payments for interest in 2018 was \$31,327 (2017 - \$34,276).



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

10. 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 Marwayne be disclosed as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------|-----------------------|------------------|
| Total debt limit | \$ 1,872,126 | \$ 1,972,122 |
| Total debt | 1,380,617 | 772,893 |
| Total debt limit available | <u>491,509</u> | <u>1,199,229</u> |
| Service on debt limit | 312,021 | 328,687 |
| Service on debt | 134,481 | 118,833 |
| Service on debt limit available | <u>177,540</u> | <u>209,854</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.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|----------------------------|---------------------|
| Tangible capital assets (Schedule 2) | \$ 16,782,183 | \$ 14,792,721 |
| Accumulated amortization (Schedule 2) | (6,152,236) | (5,852,254) |
| Long term debt (Note 9) | <u>(1,380,617)</u> | <u>(772,893)</u> |
| | <u>\$ 9,249,330</u> | <u>\$ 8,167,574</u> |

12. CULTURAL AND HISTORICAL ASSETS

The Village of Marwayne owns a cenotaph. It is not recorded as a tangible capital asset in the financial statements and is not amortized.



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

13. ACCUMULATED SURPLUS

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

| | 2018 | 2017 |
|---|---------------|---------------|
| Unrestricted surplus | \$ 1,859,289 | \$ 1,477,111 |
| Internal Restricted surplus | | |
| Emergency services | 44,021 | 38,053 |
| Engineered structures | 247,191 | 236,956 |
| General equipment replacement | 51,258 | 35,498 |
| Roads | 212,116 | 206,911 |
| Water and sewer | 220,064 | 325,924 |
| Equity in tangible capital assets (Note 11) | 9,249,330 | 8,167,574 |
| | \$ 11,883,269 | \$ 10,488,027 |

14. SEGMENTED DISCLOSURE

The Village of Marwayne 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 of Segmented Disclosures (Schedule 6).



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

15. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/200 is as follows:

| | Salary (1) | Allowances(2) | 2018 | 2017 |
|----------------------------------|-------------------|---------------|-------------------|-------------------|
| Mayor | | | | |
| Eikland | \$ 6,750 | \$ - | \$ 6,750 | \$ 1,400 |
| Wood | - | - | - | 1,700 |
| | <u>6,750</u> | <u>-</u> | <u>6,750</u> | <u>3,100</u> |
| Council | | | | |
| Lawrence | 3,400 | - | 3,400 | 1,400 |
| McDonald | 3,900 | - | 3,900 | 1,700 |
| Neureuter | 3,500 | - | 3,500 | 3,500 |
| Rainey | 4,600 | - | 4,600 | 1,500 |
| Parkyn | - | - | - | 2,000 |
| Boyarchuk | - | - | - | 1,600 |
| Eikland | - | - | - | 3,900 |
| | <u>15,400</u> | <u>-</u> | <u>15,400</u> | <u>15,600</u> |
| Chief Admin | | | | |
| Willner | 75,674 | - | 75,674 | - |
| Horton | - | - | - | 94,783 |
| | | | <u>75,674</u> | |
| Designated Officers | | | | |
| Wainwright Assessment Group Ltd. | 7,554 | - | 7,554 | 7,398 |
| | <u>\$ 105,378</u> | <u>\$ -</u> | <u>\$ 105,378</u> | <u>\$ 120,881</u> |

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

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

16. ENVIRONMENTAL CONTAMINATION

During 2002, the Village of Marwayne acquired two lots through tax recovery that contain contamination. The lots previously were used for gas station facilities. Environmental studies have been performed by ConocoPhillips to determine the extent of damage. Section 434 of the Municipal Government Act specifically relieves the Village of any responsibility with respect to contamination that existed prior to acquisition through tax recovery. The lots held for resale have been reported at the assessor's assigned value for 2018 of \$1,370.



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

17. COMMITMENTS AND CONTINGENCIES

The Village of Marwayne has entered into a water and wastewater treatment systems agreement with the Village of Kitscoty and Village of Dewberry. This agreement will be used to co-ordinate their efforts and co-operate in having adequate provision and maintenance of the water and wastewater services in each municipality. This agreement remains in effect unless one of the parties gives the other parties six months notice in any calendar year to terminate.

The Village of Marwayne has entered into a three year contract with Wainwright Assessment Group Ltd. for assessment services. The following per annum costs will apply:

June 1, 2018 to May 31, 2019 - \$7,632

The Village of Marwayne is a partner in the Alberta Central East Water Corporation (ACE) regional water system project. The full regional system will include 350+ kilometers of pipeline, two Water Transfer (pump) Stations (WTS) located near Vegreville and Lloydminster along with community fill stations and truck fill stations. The water is supplied from the North Saskatchewan River sourced through two sources. The total capital costs of the regional water system is estimated to be approximately \$140 million with the provincial government and federal government contributing 90% of the costs. The remaining costs will be shared between the thirteen member municipalities through a pro-rated share (based on population) for each phase of construction. Total costs to date have been \$547,725. The Village of Marwayne has 5% of the voting shares and is responsible for 4.45% of all costs. The Village's portion is estimated to total \$740,782. As the Regional Water System is not a Village owned asset, none of the related liabilities, funding or expenditures are reflected in the Village except for the Village's portion. Annual consumption costs in 2019 will be based on the current ACE water rates.

The Village of Marwayne has entered into an annual waste management agreement with the Vermilion River Regional Waste Management Services Commission for annual fees of \$69,366 in 2019. Each year the fees are reviewed and adjusted to actual costs incurred. The adjustment is expensed in the year it is calculated and collected by the Commission.

The Village of Marwayne has entered into an annual rental agreement for office space with the Marwayne Agricultural Society for an annual fee of \$7,000. Each year this agreement is reviewed and adjusted if required.

The Village of Marwayne has entered into an agreement with Pioneer Lodge to provide financial support for any future operating deficit and debt servicing costs. The Village of Marwayne is responsible to cover any shortfalls to the extent of their participating interest. Currently Pioneer Lodge is in good standing.



VILLAGE OF MARWAYNE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

18. RELATED PARTY TRANSACTIONS

Marwayne Agricultural Society - Village appoints a director to the Society and has a close working relationship with the Board.

| | 2018 | 2017 |
|--|------------|------------|
| Arena renovation - revenue | \$ - | \$ 638,470 |
| Office rent - expense | (7,000) | (7,000) |
| Community Development Officer fees - expense | - | (961) |
| | \$ (7,000) | \$ 630,509 |

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

19. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2018. The Village is not exposed to significant currency risk or other price risk.

Credit risk

The Village is subject to credit risk with respect to taxes and grants in place of 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. The Village of Marwayne has also passed a bylaw authorizing transfer of utilities and other receivables to the tax roll.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of collection of its various receivables and the payment of its accounts payable and accrued liabilities and long term debt.

Interest risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Village's exposure arises from their self-supported debentures and temporary investments that are guaranteed investment certificates. All interest rates are fixed, thus there is little exposure to interest rate risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

