

VILLAGE OF HUSSAR
Consolidated Financial Statements
Year Ended December 31, 2019

VILLAGE OF HUSSAR
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Year Ended December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Village of Hussar is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Village's financial position as at December 31, 2019 and the results of its operations for the year then ended

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the non-consolidated financial statements.

The Village Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Village Council with and without the presence of management. The Village Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Dorward & Company LLP, Chartered Professional Accountants, independent external auditors appointed by the Village. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Village's consolidated financial statements.

Village Administrator

Hussar, AB
May 13, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Village of Hussar

Opinion

We have audited the consolidated financial statements of Village of Hussar (the Organization), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, 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 Organization as at December 31, 2019, 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 Organization 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

(continues)

Independent Auditor's Report to the Members of Village of Hussar *(continued)*

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

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Report on other legal and regulatory requirements

• Debt Limit Regulation:

In accordance with Alberta Regulation 255/2000, we confirm that the Village is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 9.

(continues)

Independent Auditor's Report to the Members of Village of Hussar *(continued)*

- Supplementary Accounting Principles and Standards Regulation:

In accordance with Alberta Regulation 313/2000, we confirm that the Village is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 14.

Strathmore, Alberta
May 14, 2020

Downard & Company LLP

CHARTERED ACCOUNTANTS

VILLAGE OF HUSSAR
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 3)</i>	\$ 823,559	\$ 504,567
Taxes and grants in place of taxes receivable <i>(Note 4)</i>	54,939	68,399
Trades and other accounts receivable	<u>116,386</u>	<u>111,495</u>
	<u>994,884</u>	<u>684,461</u>
LIABILITIES		
Accounts payable and accrued liabilities	23,348	30,367
Deferred revenue <i>(Note 5)</i>	358,103	110,709
Long term debt <i>(Notes 7, 8)</i>	32,506	39,580
Other liabilities	<u>220,657</u>	<u>197,722</u>
	<u>634,614</u>	<u>378,378</u>
NET FINANCIAL ASSETS	<u>360,270</u>	<u>306,083</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	-	152
Tangible capital assets	<u>4,722,478</u>	<u>4,908,054</u>
	<u>4,722,478</u>	<u>4,908,206</u>
ACCUMULATED SURPLUS	<u>\$ 5,082,748</u>	<u>\$ 5,214,289</u>
CONTINGENCY <i>(Note 17)</i>		
COMMITMENTS <i>(Note 18)</i>		
ON BEHALF OF COUNCIL		
	<i>Councillor</i>	
	<i>Councillor</i>	

See notes to consolidated financial statements

VILLAGE OF HUSSAR
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	Budget 2019	Total 2019	Total 2018 (Restated)
REVENUES			
Net municipal property taxes <i>(Schedule 3)</i>	\$ 194,889	\$ 193,586	\$ 185,241
User fees and sales of goods	421,949	441,197	428,245
Government transfers for operating <i>(Schedule 4)</i>	42,297	28,305	33,599
Investment income	1,930	1,745	2,278
Penalties and costs of taxes	10,000	9,869	12,651
Licenses and permits	225	515	205
Franchise and concession contracts	35,500	36,061	36,599
Other	1,000	4,710	1,695
	<u>707,790</u>	<u>715,988</u>	<u>700,513</u>
EXPENSES			
Legislative	19,690	18,333	17,562
Administration	110,222	104,946	111,966
Protective services and emergency management	12,451	11,259	10,905
Common and equipment	18,569	13,068	21,218
Roads, streets, walks and lights	138,122	160,008	137,072
Water supply and distribution	334,766	405,780	412,463
Wastewater treatment	37,474	32,675	33,232
Waste management	25,105	22,609	23,093
Public health and welfare services	24,299	21,867	4,358
Land use planning, zoning and development	21,930	1,930	2,022
Culture - libraries, museums, halls	3,148	3,149	3,131
Other recreation and culture	56,267	51,905	55,079
	<u>802,043</u>	<u>847,529</u>	<u>832,101</u>
ANNUAL DEFICIT	(94,253)	(131,541)	(131,588)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>5,214,289</u>	<u>5,214,289</u>	<u>5,345,877</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 5,120,036</u>	<u>\$ 5,082,748</u>	<u>\$ 5,214,289</u>

See notes to consolidated financial statements

VILLAGE OF HUSSAR
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019

	Budget Unaudited	2019	2018 (restated)
ANNUAL DEFICIT	\$ (94,253)	\$ (131,541)	\$ (131,587)
Amortization of tangible capital assets	183,283	187,876	186,824
Purchase of tangible capital assets	(42,005)	(2,300)	(27,017)
Decrease in prepaid expenses	-	152	-
	<u>141,278</u>	<u>185,728</u>	<u>159,807</u>
INCREASE IN NET FINANCIAL ASSETS	47,025	54,187	28,220
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>450,060</u>	<u>306,083</u>	<u>277,863</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 497,085</u>	<u>\$ 360,270</u>	<u>\$ 306,083</u>

See notes to consolidated financial statements

VILLAGE OF HUSSAR
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018 (Restated)
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ (131,541)	\$ (131,588)
Item not affecting cash:		
Amortization of property, plant and equipment	187,876	186,824
	<u>56,335</u>	<u>55,236</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	13,460	(18,313)
Trade and other receivables	(4,891)	8,338
Accounts payable and accrued liabilities	(7,019)	(4,530)
Prepaid expenses	152	-
Deferred revenue	247,394	81,807
Other liabilities	-	35,632
	<u>249,096</u>	<u>102,934</u>
Cash flow from operating activities	<u>305,431</u>	<u>158,170</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(2,300)</u>	<u>(27,017)</u>
FINANCING ACTIVITIES		
Advances from members	22,935	-
Repayment of long-term debt	<u>(7,074)</u>	<u>(6,697)</u>
Cash flow from (used by) financing activities	<u>15,861</u>	<u>(6,697)</u>
INCREASE IN CASH FLOW	318,992	124,456
Cash - beginning of year	<u>504,567</u>	<u>380,111</u>
CASH - END OF YEAR	<u>\$ 823,559</u>	<u>\$ 504,567</u>

See notes to consolidated financial statements

VILLAGE OF HUSSAR

Consolidated schedule of changes in accumulated surplus (Schedule 1)

For the Year Ended December 31, 2019

	Unrestricted	Restricted	Equity in tangible capital assets	2019	2018
Balance, beginning of year as previously stated	\$ 140,218	\$ 213,829	\$ 4,860,242	\$ 5,214,289	\$ 5,345,876
Prior period adjustment	(8,235)	-	8,235	-	-
(Deficiency) excess of revenue over expenses	131,983	213,829	4,868,477	5,214,289	5,345,876
Current year funds used for tangible capital assets	(131,541)	-	-	(131,541)	(131,587)
Amortization of tangible capital assets	(2,299)	-	2,299	-	-
Long-term debt repaid	187,876	-	(187,876)	-	-
	(7,074)	-	7,074	-	-
Balance, end of year	\$ 178,945	\$ 213,829	\$ 4,689,974	\$ 5,082,748	\$ 5,214,289

See notes to consolidated financial statements

VILLAGE OF HUSSAR
Consolidated schedule of tangible capital assets
For the Year Ended December 31, 2019
(Schedule 2)

	Land	Land improvements	Building	Engineered structures	Machinery and equipment	Vehicles	2019	2018
Cost:								
Balance, beginning of year	\$ 133,357	\$ 68,425	\$ 2,393,000	\$ 5,032,409	\$ 29,454	\$ 51,008	\$ 7,707,653	\$ 7,679,154
Acquisitions	-	-	-	-	2,300	-	2,300	35,249
Disposals	-	-	-	-	-	-	-	(6,750)
Balance, end of year	133,357	68,425	2,393,000	5,032,409	31,754	51,008	7,709,953	7,707,653
Accumulated Amortization								
Balance, beginning of year	-	35,053	967,730	1,769,026	18,721	9,069	2,799,599	2,619,526
Annual amortization	-	3,418	47,860	128,099	2,574	5,925	187,876	186,823
Disposals	-	-	-	-	-	-	-	(6,750)
Balance, end of year	-	38,471	1,015,590	1,897,125	21,295	14,994	2,987,475	2,799,599
Net book value	\$ 133,357	\$ 29,954	\$ 1,377,410	\$ 3,135,284	\$ 10,459	\$ 36,014	\$ 4,722,478	\$ 4,908,054
2018 net book value	\$ 133,357	\$ 33,372	\$ 1,425,270	\$ 3,263,383	\$ 10,733	\$ 41,939	\$ 4,908,054	\$ -

See notes to consolidated financial statements

VILLAGE OF HUSSAR
Consolidated schedule of property and other taxes levied *(Schedule 3)*
For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
Taxation			
Real Property Taxes	\$ 227,749	\$ 227,749	\$ 217,937
Linear property taxes	9,851	9,886	9,850
	237,600	237,635	227,787
EXPENSES			
Alberta School Foundation Fund	41,467	42,834	41,467
Wheatland Housing Management Body	1,244	1,215	1,079
	42,711	44,049	42,546
INCOME FROM OPERATIONS	\$ 194,889	\$ 193,586	\$ 185,241

VILLAGE OF HUSSAR
Consolidated schedule of government transfers *(Schedule 4)*
For the Year Ended December 31, 2019

Government transfers

	Budget	2019	2018
Transfers for operating:			
Provincial government	\$ 42,297	\$ 28,305	\$ 33,599

VILLAGE OF HUSSAR
Consolidated schedule of expenses by object *(Schedule 5)*
For the Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018 (Restated)
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 220,496	\$ 206,634	\$ 240,778
Contracted and general services	230,671	286,031	257,495
Materials, goods and utilities	140,940	139,523	120,811
Interest on long-term debt	2,227	2,940	3,031
Transfers to organizations and others	24,426	24,525	23,162
Amortization of tangible capital assets	183,283	187,876	186,824
	\$ 802,043	\$ 847,529	\$ 832,101

VILLAGE OF HUSSAR
Consolidated schedule of segmented disclosure
For the Year Ended December 31, 2019

(Schedule 6)

	General government	Protective services	Transportation services	Planning and development	Recreations and culture	Environmental services	Public health services	2019
REVENUE								
Net municipal property taxes	\$ 193,586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,586
User fees and sales of goods	4,316	-	-	-	3,835	428,423	5,000	441,574
Government transfers for operating	-	-	-	-	-	28,305	-	28,305
Investment income	1,368	-	-	-	-	-	-	1,368
Penalties and costs of taxes	9,869	-	-	-	-	-	-	9,869
Licenses and permits	-	290	-	225	-	-	-	515
Franchise and concession contracts	36,061	-	-	-	-	-	-	36,061
Other	-	-	-	-	-	-	4,710	4,710
	<u>\$ 245,200</u>	<u>\$ 290</u>	<u>\$ -</u>	<u>\$ 225</u>	<u>\$ 3,835</u>	<u>\$ 456,728</u>	<u>\$ 9,710</u>	<u>\$ 715,988</u>
EXPENSES								
Salaries, wages and benefits	\$ 61,298	\$ -	\$ 34,458	\$ -	\$ 1,926	\$ 108,733	\$ 219	\$ 206,634
Contracted and general services	48,135	-	31,738	-	201	205,927	30	286,031
Materials, goods and utilities	13,567	-	29,782	-	5,007	71,855	19,312	139,523
Interest on long-term debt	-	-	2,940	-	-	-	-	2,940
Transfers to organizations and others	-	11,259	-	1,930	1,668	7,562	2,106	24,525
	<u>\$ 123,000</u>	<u>\$ 11,259</u>	<u>\$ 98,918</u>	<u>\$ 1,930</u>	<u>\$ 8,802</u>	<u>\$ 394,077</u>	<u>\$ 21,667</u>	<u>\$ 659,653</u>
NET REVENUE, Before Amortization	\$ 122,200	\$ (10,969)	\$ (98,918)	\$ (1,705)	\$ (4,967)	\$ 62,651	\$ (11,957)	\$ 56,335
Less: Amortization	(280)	-	(74,872)	-	(46,252)	(66,272)	(200)	(187,876)
NET REVENUE	<u>\$ 121,920</u>	<u>\$ (10,969)</u>	<u>\$ (173,790)</u>	<u>\$ (1,705)</u>	<u>\$ (51,219)</u>	<u>\$ (3,621)</u>	<u>\$ (12,157)</u>	<u>\$ (131,541)</u>

See notes to consolidated financial statements

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

1. NATURE OF ORGANIZATION

The Village of Hussar (the "Village") is a Municipality in the Province of Alberta. The consolidated financial statements are the representations of management prepared in accordance with Canadian 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:

The Village is exempt from income taxation under Section 149 of the Canada Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements of the Village of Hussar are the representations of management prepared in accordance with generally accepted accounting principles for the 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:

Reporting Entity

The non-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 and are, therefore, accountable to the village Council of the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, 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.

(continues)

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of accounting

The financial statements reflect the assets, liabilities, revenues and expenses, and changes in net financial assets and cash flows of the Village.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards and 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 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 recognised 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant estimates include assumptions used in a number of areas including useful lives of tangible capital assets and the fair value of contributed tangible capital assets. Estimates are also used for various liabilities, including landfill closure and post-closure costs. Estimates are based on the best information available at the time of preparation of the financial statements and are periodically reviewed and any adjustments necessary are reflected in the period in which they become known. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Cash and temporary investments

Cash includes cash and temporary investments. Temporary investments are investments in term deposits and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

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

Reserves for future expenses

Reserves are established at the discretion of Council to set aside funds for the future operating and capital expenses. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

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.

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.

(continues)

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Service fees and sales of goods from external sources are recognized as revenue in the period in which the services is delivered or in which the transactions or events occurred that gave rise to the revenue.

The Village follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions specified for capital purposes are recorded as unamortized capital allocations. These unamortized capital allocations are taken into income as the related capital costs are amortized.

Government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement may not be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. Revenues from these sources are recognized in the period in which the related expenses are incurred, services performed or capital assets are amortized.

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.

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.

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 (Debt) for the year.

(continues)

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible capital assets

Purchased 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 over their estimated useful lives on a straight-line basis at the following rates:

Land improvements	15 - 25 years
Buildings	50 years
Engineering structures	15 - 75 years
Machinery and Equipment	2 - 10 years
Motor vehicles	10 years

Half 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.

The organization regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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

Leases are classified as capital or operating leases. Leases which transfer substantially all 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 incurred.

Work of art for display are not recorded as tangible capital assets but are disclosed.

Financial instruments policy

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 unrealised 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.

(continues)

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future accounting standard pronouncements

The following summarizes prospective changes to Canadian Public Sector Accounting Standards issued by the Public Sector Accounting Standards Board. The commission is currently assessing the impact and preparing for the adoption of these standards.

Section PS 1201 - Financial Statement Presentation

PS 1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealised gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2021.

Section PS 2601 – Foreign Currency Translation

PS 2601, Foreign Currency Translation, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. unrealised gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2021.

Section PS 3041 – Portfolio Investments

PS 3041, Portfolio Investments, has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, Financial Instruments, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, Temporary Investments will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2021.

Section PS 3280 – Asset Retirement Obligations

PS 3280, Asset Retirement Obligations establishes standards on how to account for and report legal obligations associated with the retirement of tangible capital assets. This standard is applicable for fiscal years beginning on or after April 1, 2021.

Section PS 3400 – Revenue

PS 3400, Revenue establishes guidance on how to account for and report revenue transactions that include performance obligations and those that do not include performance obligations. This standard is applicable for fiscal years beginning on or after April 1, 2021.

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VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Section PS 3450 - Financial Instruments

PS 3450, Financial Instruments establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. unrealised gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2021.

The Village is reviewing the applicability of these new pronouncements to the financial statements.

3. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	\$ 797,511	\$ 478,571
Temporary investments	26,048	25,996
	\$ 823,559	\$ 504,567

Temporary investments are short-term deposits with original maturities of one year or less. The temporary investments are comprised of specific use savings accounts that bear interest at 0.2%

The Village has an approved overdraft limit of \$100,000 bearing interest at a rate of 2.70%. The facility was not drawn on as of December 31, 2019.

Included in cash and temporary investments is a restricted amount of \$183,033 (2018 - \$1,595) received from the Municipal Sustainability Initiative and held exclusively for approved projects (Note 5).

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2019	2018
Taxes and grants in place of taxes receivable	\$ 29,479	\$ 43,880
Arrears	25,460	24,519
	\$ 54,939	\$ 68,399

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

5. DEFERRED REVENUE

The deferred revenue balance represents funds received for specific purposes that have not been spent by year end. Deferred revenue consists of the following:

	2019	2018
<u>Section heading</u>		
Wheatland County Regional Infrastructure Services	\$ 133,362	\$ 66,736
Alberta Community Partnership	20,044	20,004
Miscellaneous	10,409	11,224
Cemetery Trust	10,362	10,259
FGTF Capital Grant	893	891
	175,070	109,114
Municipal Sustainability Initiative - Capital	154,888	1,595
Municipality Sustainability Initiative - Operating	28,145	-
	\$ 358,103	\$ 110,709

Funding of the amount of \$183,033 was received in the current year from the Municipal Sustainability Initiative. Of the \$183,033 received, \$154,888 is from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2020. The remaining \$28,145 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement, which are also scheduled for completion in 2020.

Unexpended funds related to the advance are supported by cash and temporary investments of \$183,033 held exclusively for these projects (Note 3).

6. 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.

7. LONG-TERM DEBT

	2019	2018
<u>Section heading</u>		
Tax supported debentures - capital	\$ 32,506	\$ 39,580
Current portion	7,472	7,074

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

8. PRINCIPAL AND INTEREST ON LONG-TERM DEBT

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	\$ 7,472	\$ 1,828	\$ 9,300
2021	7,892	1,408	9,300
2022	8,336	964	9,300
2023	8,806	494	9,300
	<u>\$ 32,506</u>	<u>\$ 4,694</u>	<u>\$ 37,200</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rate of 5.625%, per annum, and matures in 2023.

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

Interest on long-term debt amounted to \$2,154 (2018 - \$2,531).

The Village's total cash payments for interest in 2019 were \$2,226 (2018 - \$2,603).

9. DEBT LIMITS AND DEBT SERVICING LIMIT

	2019	2018
Total debt limit	\$ 1,073,982	\$ 1,050,771
Less: Total Debt	<u>(32,506)</u>	<u>(39,580)</u>
Amount of debt limit unused	<u>1,041,476</u>	<u>1,011,191</u>
Debt servicing limit	178,997	175,129
Less: Debt servicing	<u>(9,300)</u>	<u>(9,300)</u>
Amount of debt servicing limit unused	169,697	165,829

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 Hussar are to be disclosed.

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.

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

10. ACCUMULATED SURPLUS

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

	2019	2018
<u>Section heading</u>		
Unrestricted surplus	\$ 178,944	\$ 131,983
Internally restricted surplus (reserves) (note 11)	213,832	213,832
Equity in tangible capital assets (note 12)	4,689,972	4,868,474
	\$ 5,082,748	\$ 5,214,289

11. RESERVES

Council may set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2019	2018
<u>Operating</u>		
Restricted surplus	\$ 10,000	\$ 10,000
 <u>Capital</u>		
Infrastructure	203,832	203,832
	\$ 213,832	\$ 213,832

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets (schedule 2)	\$ 7,709,953	\$ 7,707,653
Accumulated amortization (schedule 2)	(2,987,475)	(2,799,599)
Long-term debt (note 7)	(32,506)	(39,580)
	\$ 4,689,972	\$ 4,868,474

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

13. SEGMENTED DISCLOSURE

The Village 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 2.

Refer to the Schedule of Segmented Disclosure (schedule 6).

14. 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 313/2000 is as follows:

	(1)	(2)	2019	2018
	Salary	Benefits & allowances		
Tim Frank	\$ 4,150	\$ -	\$ -	\$ 5,500
Corey Fisher	4,875	-	-	3,825
Les Schultz	4,225	-	-	3,850
Chief Administrative Officer	43,363	3,887	47,523	58,675
Designated Assessor	5,400	-	5,400	5,400

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct case remuneration.
2. Employer's share of all employee benefits and contributions or payments 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.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances, and club memberships.

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

15. 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 Pensions Plans Act*. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

	2019	2018
<u>Section heading</u>		
Current service contributions by Employer	\$ -	\$ 5,396
Current service contributions by Employee	-	4,877
	\$ -	\$ 10,273

The Village is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Total current service contributions by the Village to the LAPP in 2019 were \$0 (2018 - \$5,396). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2019 were \$0 (2018 - \$4,877)

At December 31, 2018 the LAPP disclosed an actuarial surplus of \$3.469 billion.

16. BUDGET AMOUNTS

The 2019 budget for the Village was approved by Council on March 14, 2019 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

	2019
Budget deficit per financial statements	\$ (94,253)
Less: Long-term debt repayments	(7,074)
Transfers to reserves	(65,880)
Add: Amortization	183,283
Equals: surplus per budget	\$ 16,076

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

17. CONTINGENCY

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 in the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

18. COMMITMENTS

The Village has entered into a cost sharing agreement with Wheatland County for the Hussar Transfer Site. The Village pays 20% of all costs incurred to operate the transfer site with the exception of its requisition to the Drumheller and District Solid Waste Management Association. The agreement is effective until December 31, 2020.

The Village has entered into a lease agreement with the Canadian Pacific Railway Company for the use of a land area of 0.482 acres. The Village paid \$2,500 plus GST on August 1st, 2019. This amount will increase by 3% each preceding licence year. The lease agreement is effective to July 31, 2020.

19. FINANCIAL INSTRUMENTS

The Village of Hussar's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable, accrued 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 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.

Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

20. PRIOR PERIOD ADJUSTMENT

The prior year figures have been retroactively restated to reflect the proportionate consolidation of Wheatland Regional Corporation.

21. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of public accountants. Some of the comparative figures have been reclassified to conform to the current year's presentation.

VILLAGE OF HUSSAR
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2019

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

23. INVESTMENT IN PARTNERSHIP

The Village purchased 25 class B common shares in Wheatland Regional Corporation (WRC) for 25% ownership in the amount of \$2.50.

WRC was formed in partnership with the Village of Rockyford, Village of Hussar, Village of Standard, and Wheatland County. WRC is responsible for distribution of water to its partnering municipalities.

WRC is accounted for using the proportionate consolidation method. Below is a financial summary of the Corporation's financial statements as at December 31, 2019 and for the year then ended as follows:

	2019	Adjustments	25% share	2018
Financial assets	\$ 427,652	\$ 320,739	\$ 106,913	\$ 65,809
Liabilities	(940,161)	(705,121)	(235,040)	(209,784)
Non-financial assets	(512,509)	(384,382)	(128,127)	(143,975)
Accumulated surplus	126,636	94,977	31,659	36,691
Total revenue	\$ (385,873)	\$ (289,405)	\$ (96,468)	\$ (107,284)
Total expenses	\$ 1,143,683	\$ 857,762	\$ 285,921	\$ 266,317
Excess (deficiency) of revenue over expenses	(1,100,413)	(825,310)	(275,103)	(293,013)
	\$ 43,270	\$ 32,452	\$ 10,818	\$ (26,696)

During the year there were no transactions between the Village and WRC.