

**TOWN OF VIKING**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2018**



**Donnelly & Co. LLP**  
*Chartered Accountants*



## INDEPENDENT AUDITOR'S REPORT

### To the Members of Council of the Town of Viking

#### Opinion

We have audited the consolidated financial statements of Town of Viking ("the Town"), which comprise the consolidated statements of financial position, operations and accumulated surplus 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 Town 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 Town 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

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### **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 Town'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 Town'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 Town 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.

Edmonton, Alberta  
April 29, 2019



Chartered Accountants

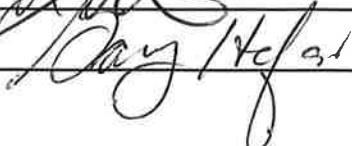
**TOWN OF VIKING**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2018**

|  | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>                                |                      |                      |
| Cash and cash equivalents (Note 3)                     | \$ 182,575           | \$ 22,926            |
| Investments (Note 3)                                   | 707,000              | -                    |
| Receivables  |                      |                      |
| Taxes and grants in lieu of taxes receivables (Note 4) | 357,268              | 294,901              |
| Due from governments                                   | 769,813              | 2,186,302            |
| Trade and other receivables                            | 158,328              | 279,697              |
| Inventories held for resale                            |                      |                      |
| Land   | 226,826              | 226,826              |
| Other - concession                                     | 5,806                | 3,490                |
|  | <u>2,407,616</u>     | <u>3,014,142</u>     |
| <b>LIABILITIES</b>                                     |                      |                      |
| Temporary loan payable (Note 5)                        | -                    | 160,000              |
| Accounts payable and accrued liabilities (Note 6)      | 288,159              | 1,189,158            |
| Deposit liabilities                                    | 2,305                | 2,305                |
| Deferred revenue (Note 7)                              | 12,525               | 14,144               |
| Long term debt (Note 8)                                | 1,495,632            | 803,364              |
|  | <u>1,798,621</u>     | <u>2,168,971</u>     |
| <b>NET FINANCIAL ASSETS</b>                            | <u>608,995</u>       | <u>845,171</u>       |
| <b>NON-FINANCIAL ASSETS</b>                            |                      |                      |
| Tangible capital assets (Schedule 2)                   | 18,903,071           | 19,013,634           |
| Prepaid expenses                                       | 54,581               | 10,733               |
|  | <u>18,957,652</u>    | <u>19,024,367</u>    |
| <b>ACCUMULATED SURPLUS (Note 11)</b>                   | <u>\$ 19,566,647</u> | <u>\$ 19,869,538</u> |

Commitments and contingencies - see Notes 15 and 16.

On behalf of the Members of Council

  
 \_\_\_\_\_ Mayor

  
 \_\_\_\_\_ Deputy Mayor

**TOWN OF VIKING**  
**Consolidated Statement of Operations and Accumulated Surplus**  
**Year Ended December 31, 2018**

|   | Budget<br>2018<br><i>(Unaudited)</i> | 2018                 | 2017                 |
|---|--------------------------------------|----------------------|----------------------|
| <b>REVENUE</b>  |                                      |                      |                      |
| Net taxes available for municipal purposes<br><i>(Schedule 3)</i> | \$ 1,542,019                         | \$ 1,484,413         | \$ 1,299,761         |
| User fees and sales of goods                                      | 986,550                              | 833,975              | 743,362              |
| Government transfers for operating <i>(Schedule 4)</i>            | 458,290                              | 361,963              | 324,652              |
| Transfers from local boards and agencies                          | -                                    | 279,417              | 279,353              |
| Rentals   | 238,390                              | 167,949              | 199,141              |
| Franchise revenues  | 170,000                              | 150,526              | 184,416              |
| Other revenue   | 28,448                               | 32,451               | 66,997               |
| Penalties and costs on taxes                                      | 50,800                               | 81,301               | 55,065               |
| Investment income   | 239,000                              | 12,376               | 10,704               |
| Licenses, permits and fines                                       | 102,315                              | 6,510                | 5,782                |
| Transfer from reserve   | 365,000                              | -                    | -                    |
|   | <u>4,180,812</u>                     | <u>3,410,881</u>     | <u>3,169,233</u>     |
| <b>EXPENSES</b>   |                                      |                      |                      |
| Administration and legislative                                    | 637,050                              | 597,685              | 521,031              |
| Fire protection and safety services                               | 156,500                              | 155,827              | 116,286              |
| Bylaw enforcement   | 7,000                                | 9,217                | 4,580                |
| Roads, streets, walks, lighting                                   | 791,950                              | 753,265              | 813,948              |
| Airport   | 8,850                                | 6,134                | 7,022                |
| Storm sewers and drainage   | -                                    | 1,444                | 8,754                |
| Water supply and distribution                                     | 565,800                              | 713,585              | 603,652              |
| Wastewater treatment and disposal                                 | 576,100                              | 274,318              | 1,118,495            |
| Waste management  | 76,000                               | 54,048               | 72,590               |
| Family and community support services                             | 191,483                              | 189,360              | 147,166              |
| Land use planning, zoning and development                         | 37,000                               | 10,199               | 21,231               |
| Economic and agricultural development                             | -                                    | 9                    | 1,000                |
| Subdivision land and development                                  | 370                                  | 3,475                | 25,897               |
| Parks and recreation  | 934,742                              | 1,341,278            | 1,085,308            |
| Culture   | 25,000                               | 29,087               | 25,694               |
|   | <u>4,007,845</u>                     | <u>4,138,931</u>     | <u>4,572,654</u>     |
| <b>DEFICIENCY OF REVENUE OVER<br/>EXPENSES - BEFORE OTHER</b>     | 172,967                              | (728,050)            | (1,403,421)          |
| <b>OTHER</b>  |                                      |                      |                      |
| Government transfers for capital <i>(Schedule 4)</i>              | 688,188                              | 425,159              | 1,838,526            |
| <b>EXCESS (DEFICIENCY) OF REVENUE OVER<br/>EXPENSES</b>           | 861,155                              | (302,891)            | 435,105              |
| <b>ACCUMULATED SURPLUS - BEGINNING OF<br/>YEAR</b>                | 19,869,538                           | 19,869,538           | 19,434,433           |
| <b>ACCUMULATED SURPLUS - END OF YEAR</b>                          | <u>\$ 20,730,693</u>                 | <u>\$ 19,566,647</u> | <u>\$ 19,869,538</u> |

**TOWN OF VIKING**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2018**

|   | Budget<br>2018<br><i>(Unaudited)</i> | 2018         | 2017        |
|---|--------------------------------------|--------------|-------------|
| Excess (deficiency) of revenue over expenses    | \$ 861,155                           | \$ (302,892) | \$ 435,105  |
| Acquisition of tangible capital assets          | -                                    | (714,760)    | (2,066,726) |
| Proceeds on disposal of tangible capital assets | -                                    | -            | -           |
| Amortization of tangible capital assets         | -                                    | 825,324      | 791,740     |
| Gain on sale of tangible capital assets         | -                                    | -            | -           |
| Acquisition of prepaid expense                  | -                                    | (43,848)     | (10,733)    |
|   | -                                    | 66,716       | (1,285,719) |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>        | 861,155                              | (236,176)    | (850,614)   |
| <b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b> | 845,171                              | 845,171      | 1,695,785   |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>        | \$ 1,706,326                         | \$ 608,995   | \$ 845,171  |

**TOWN OF VIKING**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2018**

|   | 2018              | 2017               |
|---|-------------------|--------------------|
| <b>Operating activities</b>                             |                   |                    |
| Cash receipts from taxes                                | \$ 1,816,535      | \$ 1,590,373       |
| Cash receipts from government                           | 2,203,611         | 471,193            |
| Cash receipts from others                               | 1,590,578         | 1,511,803          |
| Cash paid to suppliers and employees                    | (4,260,770)       | (3,068,605)        |
| Cash paid for requisitions                              | (313,188)         | (289,929)          |
| Investment income received                              | 12,376            | 10,704             |
|   | <u>1,049,142</u>  | <u>225,539</u>     |
| <b>Financing activities</b>                             |                   |                    |
| Advance from temporary loans                            | -                 | 160,000            |
| Repayment of temporary loans                            | (160,000)         | -                  |
| Proceeds from long term debt                            | 750,000           | -                  |
| Repayment of long term debt                             | (57,732)          | (55,191)           |
|   | <u>532,268</u>    | <u>104,809</u>     |
| <b>Capital activity</b>                                 |                   |                    |
| Acquisition of tangible capital assets                  | (714,761)         | (2,066,726)        |
| <b>Increase (decrease) in cash and cash equivalents</b> | <b>866,649</b>    | <b>(1,736,378)</b> |
| Cash and cash equivalents - beginning of year           | <u>22,926</u>     | <u>1,759,304</u>   |
| <b>Cash and cash equivalents - end of year (Note 3)</b> | <b>\$ 889,575</b> | <b>\$ 22,926</b>   |
| <b>Cash and cash equivalents consists of:</b>           |                   |                    |
| Cash  | \$ 182,575        | \$ 22,926          |
| Investments   | 707,000           | -                  |
|   | <u>\$ 889,575</u> | <u>\$ 22,926</u>   |

**TOWN OF VIKING**

Consolidated Schedule of Changes in Accumulated Surplus  
Year Ended December 31, 2018

(Schedule 1)

|  | Unrestricted Surplus | Restricted Operating Reserves | Restricted Capital Reserves | Equity in Tangible Capital Asset | 2018          | 2017          |
|--|----------------------|-------------------------------|-----------------------------|----------------------------------|---------------|---------------|
| <b>BALANCE, BEGINNING OF YEAR</b>                  | \$ 1,355,924         | \$ 73,118                     | \$ 230,226                  | \$ 18,210,270                    | \$ 19,869,538 | \$ 19,434,433 |
| Excess (deficiency) of revenue over expenses       | (302,891)            | -                             | -                           | -                                | (302,891)     | 435,105       |
| Funds designated for future use                    | (1,019,365)          |                               | 1,019,365                   |                                  | -             | -             |
| Unrestricted funds use for tangible capital assets | (172,170)            |                               |                             | 172,170                          | -             | -             |
| Restricted funds used for tangible capital assets  | -                    |                               | (542,591)                   | 542,591                          | -             | -             |
| Annual amortization expense                        | 825,324              |                               |                             | (825,324)                        | -             | -             |
| Proceeds from long term debt                       | 750,000              |                               |                             | (750,000)                        | -             | -             |
| Long term debt repaid                              | (57,732)             |                               |                             | 57,732                           | -             | -             |
| <b>BALANCE, END OF YEAR</b>                        | \$ 1,379,090         | \$ 73,118                     | \$ 707,000                  | \$ 17,407,439                    | \$ 19,566,647 | \$ 19,869,538 |



**TOWN OF VIKING**  
 Consolidated Schedule of Tangible Capital Assets  
 Year Ended December 31, 2018

(Schedule 2)

|   | Land       | Land Improvements | Buildings     | Engineered Structures | Machinery and Equipment |            | Vehicle       | 2017          |
|---|------------|-------------------|---------------|-----------------------|-------------------------|------------|---------------|---------------|
|   |            |                   |               |                       | 2018                    | 2017       |               |               |
| <b>COST</b>   |            |                   |               |                       |                         |            |               |               |
| BALANCE, BEGINNING OF YEAR                            | \$ 735,497 | \$ 887,706        | \$ 12,887,129 | \$ 20,408,825         | \$ 1,509,115            | \$ 218,767 | \$ 36,647,039 | \$ 34,580,313 |
| Acquisition of tangible capital assets:               | 1          | -                 | -             | 637,086               | 77,674                  | -          | 714,761       | 2,066,726     |
| Disposal of tangible capital assets                   | -          | -                 | -             | -                     | -                       | -          | -             | -             |
| BALANCE, END OF YEAR                                  | 735,498    | 887,706           | 12,887,129    | 21,045,911            | 1,586,789               | 218,767    | 37,361,800    | 36,647,039    |
| <b>ACCUMULATED AMORTIZATION</b>                       |            |                   |               |                       |                         |            |               |               |
| BALANCE, BEGINNING OF YEAR                            | -          | 548,938           | 2,783,597     | 13,631,983            | 526,534                 | 142,353    | 17,633,405    | 16,841,665    |
| Annual amortization                                   | -          | 31,993            | 254,757       | 429,760               | 92,614                  | 16,200     | 825,324       | 791,740       |
| Accumulated amortization on disposals                 | -          | -                 | -             | -                     | -                       | -          | -             | -             |
| BALANCE, END OF YEAR                                  | -          | 580,931           | 3,038,354     | 14,061,743            | 619,148                 | 158,553    | 18,458,729    | 17,633,405    |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>      | \$ 735,498 | \$ 306,775        | \$ 9,848,775  | \$ 6,984,168          | \$ 967,641              | \$ 60,214  | \$ 18,903,071 | \$ 19,013,634 |
| <b>2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b> | \$ 735,497 | \$ 338,768        | \$ 10,103,532 | \$ 6,776,842          | \$ 982,581              | \$ 76,414  | \$ 19,013,634 | \$ 19,013,634 |

## TOWN OF VIKING

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## Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2018

|  | Budget<br>2018<br><i>(Unaudited)</i> | 2018         | 2017         |
|--|--------------------------------------|--------------|--------------|
| <b>TAXATION</b>                                    |                                      |              |              |
| Real property taxes                                | \$ 1,828,068                         | \$ 1,702,702 | \$ 1,501,552 |
| Linear property                                    | -                                    | 44,897       | 41,702       |
| Special assessments and local improvement<br>taxes | 32,256                               | 32,256       | 29,806       |
| Government grants in place of property taxes       | -                                    | 17,746       | 16,630       |
|  | 1,860,324                            | 1,797,601    | 1,589,690    |
| <b>REQUISITIONS</b>                                |                                      |              |              |
| Alberta School Foundation Fund                     | 278,560                              | 273,443      | 257,825      |
| Beaver Seniors Foundation                          | 39,745                               | 39,745       | 32,104       |
|  | 318,305                              | 313,188      | 289,929      |
| <b>NET MUNICIPAL TAXES</b>                         | \$ 1,542,019                         | \$ 1,484,413 | \$ 1,299,761 |

**TOWN OF VIKING**  
**Consolidated Schedule of Government Transfers**  
**Year Ended December 31, 2018**

(Schedule 4)

|                                   | Budget<br>2018<br><i>(Unaudited)</i> | <b>2018</b>              | 2017                |
|-----------------------------------|--------------------------------------|--------------------------|---------------------|
| <b>TRANSFERS FOR OPERATING</b>    |                                      |                          |                     |
| Provincial government             | \$ 59,580                            | \$ <b>74,397</b>         | \$ 79,180           |
| Other local government            | 145,035                              | <b>287,566</b>           | 244,790             |
|                                   | <u>204,615</u>                       | <u><b>361,963</b></u>    | <u>323,970</u>      |
| <b>TRANSFERS FOR CAPITAL</b>      |                                      |                          |                     |
| Provincial government             | 688,188                              | <b>425,159</b>           | 1,838,526           |
|                                   | <u>688,188</u>                       | <u><b>425,159</b></u>    | <u>1,838,526</u>    |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | <u>\$ 892,803</u>                    | <u>\$ <b>787,122</b></u> | <u>\$ 2,162,496</u> |

**TOWN OF VIKING**  
**Consolidated Schedule of Consolidated Expenses by Object**  
**Year Ended December 31, 2018**

(Schedule 5)

|   | Budget<br>2018<br><i>(Unaudited)</i> | <b>2018</b>         | 2017                |
|---|--------------------------------------|---------------------|---------------------|
| Salaries, wages and benefits                            | \$ 1,017,300                         | \$ <b>1,047,647</b> | \$ 828,841          |
| Materials, goods and utilities                          | 1,620,250                            | <b>1,034,186</b>    | 1,862,201           |
| Amortization of tangible capital assets                 | 320                                  | <b>825,324</b>      | 791,740             |
| Contracted and general services                         | 780,600                              | <b>736,030</b>      | 661,934             |
| Transfers to local boards and agencies <i>(Note 17)</i> | 395,633                              | <b>398,889</b>      | 346,200             |
| Interest on long term debt                              | 188,192                              | <b>54,648</b>       | 37,716              |
| Provision for allowances                                | 500                                  | <b>26,736</b>       | 9,022               |
| Bank charges and short term interest                    | 5,000                                | <b>11,036</b>       | 9,414               |
| Other expenditures                                      | 50                                   | <b>4,435</b>        | 25,585              |
|   | <b>\$ 4,007,845</b>                  | <b>\$ 4,138,931</b> | <b>\$ 4,572,653</b> |

**TOWN OF VIKING**  
Consolidated Schedule of Segmented Disclosure  
Year Ended December 31, 2018

(Schedule 6)

|  | General Government  | Protective Services | Transportation Services | Environmental Services | Public Health and Welfare | Planning and Development | Recreation and Culture | 2018 Total          |
|--|---------------------|---------------------|-------------------------|------------------------|---------------------------|--------------------------|------------------------|---------------------|
| <b>REVENUE</b>                           |                     |                     |                         |                        |                           |                          |                        |                     |
| Net municipal taxes                      | \$ 1,484,413        | \$ -                | \$ -                    | \$ -                   | \$ -                      | \$ -                     | \$ -                   | 1,484,413           |
| User fees and sales of goods             | 5,205               | -                   | -                       | 660,476                | 24,377                    | -                        | 143,917                | 833,975             |
| Transfers from local boards and agencies | 279,417             | -                   | -                       | -                      | -                         | -                        | -                      | 279,417             |
| Government transfers                     | 127,359             | -                   | -                       | 425,159                | 158,220                   | 26,084                   | 50,300                 | 787,122             |
| Rentals                                  | 10,019              | -                   | -                       | 15,810                 | -                         | -                        | 142,120                | 167,949             |
| Franchise revenues                       | 150,526             | -                   | -                       | -                      | -                         | -                        | -                      | 150,526             |
| Penalties and costs on taxes             | 81,301              | -                   | -                       | -                      | -                         | -                        | -                      | 81,301              |
| Other revenue                            | 9,622               | -                   | -                       | -                      | -                         | -                        | 22,829                 | 32,451              |
| Investment income                        | 12,376              | -                   | -                       | -                      | -                         | -                        | -                      | 12,376              |
| Licenses, permits and fines              | 4,961               | 1,549               | -                       | -                      | -                         | -                        | -                      | 6,510               |
| Gain on sale of tangible capital assets  | -                   | -                   | -                       | -                      | -                         | -                        | -                      | -                   |
|  | <b>2,165,199</b>    | <b>1,549</b>        | <b>-</b>                | <b>1,101,445</b>       | <b>182,597</b>            | <b>26,084</b>            | <b>359,166</b>         | <b>3,836,040</b>    |
| <b>EXPENSES</b>                          |                     |                     |                         |                        |                           |                          |                        |                     |
| Salaries, wages and benefits             | 228,956             | -                   | 118,302                 | 233,382                | 1,074                     | 4,135                    | 461,798                | 1,047,647           |
| Contracted and general services          | 267,539             | 9,217               | 109,951                 | 112,152                | 16,401                    | 6,064                    | 214,706                | 736,030             |
| Materials, goods and utilities           | 56,146              | -                   | 185,352                 | 532,628                | -                         | -                        | 260,060                | 1,034,186           |
| Transfers to local boards and agencies   | -                   | 155,827             | -                       | -                      | 171,885                   | -                        | 71,177                 | 398,889             |
| Provision for allowances                 | 26,736              | -                   | -                       | -                      | -                         | -                        | -                      | 26,736              |
| Bank charges and short term interest     | 11,036              | -                   | -                       | -                      | -                         | -                        | -                      | 11,036              |
| Interest on long term debt               | -                   | -                   | -                       | 19,507                 | -                         | -                        | 35,141                 | 54,648              |
| Other expenses                           | -                   | -                   | -                       | -                      | -                         | 3,164                    | 1,271                  | 4,435               |
|  | <b>590,413</b>      | <b>165,044</b>      | <b>413,605</b>          | <b>897,669</b>         | <b>189,360</b>            | <b>13,363</b>            | <b>1,044,153</b>       | <b>3,313,607</b>    |
| <b>NET REVENUE BEFORE AMORTIZATION</b>   | <b>1,574,786</b>    | <b>(163,495)</b>    | <b>(413,605)</b>        | <b>203,776</b>         | <b>(6,763)</b>            | <b>12,721</b>            | <b>(684,987)</b>       | <b>522,433</b>      |
| Amortization of tangible capital assets  | 7,488               | -                   | 345,794                 | 145,726                | -                         | 311                      | 326,005                | 825,324             |
| <b>NET REVENUE</b>                       | <b>\$ 1,567,298</b> | <b>\$ (163,495)</b> | <b>\$ (759,399)</b>     | <b>\$ 58,050</b>       | <b>\$ (6,763)</b>         | <b>\$ 12,410</b>         | <b>\$ (1,010,992)</b>  | <b>\$ (302,891)</b> |

**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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**1. Summary of significant accounting policies**

The consolidated financial statements of the Town of Viking 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 municipality are as follows:

**Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to Council for the administration of their financial affairs and resources.

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

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

**Basis of accounting**

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulations 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 generally accepted accounting principles 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 revenue and expenses 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.

**Cash and cash equivalents**

Cash includes cash and cash equivalents. Currently the municipality carries all of its cash in the current account which is valued at cost. The carrying amount of the current account approximates fair value.

*(continues)*

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**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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**1. Summary of significant accounting policies (continued)**

**Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value 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.

**Inventories for resale**

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

**Concession inventory**

Concession inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

**Tax revenue**

Tax revenue 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.

**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)*

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**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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**1. Summary of significant accounting policies (continued)**

Tangible capital assets

Tangible capital assets are stated at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset, less accumulated amortization. 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       | 10 - 25 years |
| Buildings               | 25 - 50 years |
| Engineering structures  | 10 - 75 years |
| Machinery and equipment | 5 - 25 years  |
| Vehicles                | 10 - 25 years |

No amortization is charged in the year of acquisition, however, assets are amortized in the year of disposal.

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.

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.

Cultural and historical tangible capital assets

The Town of Viking currently owns several cultural properties with an accumulated historical cost of \$428,424. In compliance with the Town's accounting policies, cultural and historical tangible capital assets are not recorded as tangible capital assets in the financial statements and are not amortized.

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**2. Financial instruments**

The Town's financial instruments consist of cash and cash equivalents, accounts receivables, prepaid expenses, revolving loan, accounts payable and accrued liabilities, deposit liabilities and long term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town 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 Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

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**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

**3. Cash and cash equivalents**

|   | 2018       | 2017         |
|---|------------|--------------|
| Cash on hand and in bank  | \$ 182,575 | \$ 22,926    |
| Non-redeemable Guaranteed Investment Certificates maturing October 10, 2019, interest ranging from 2.34% to 2.76% per annum | 707,000    | -            |
|   | 889,575    | 22,926       |
| Externally restricted   | (12,525)   | (14,144)     |
| Internally restricted   | (780,118)  | (303,344)    |
| Unrestricted (deficit)  | \$ 96,932  | \$ (294,562) |

## Amounts externally restricted:

|   |           |           |
|---|-----------|-----------|
| Prepaid facility memberships  | \$ 9,725  | \$ 8,644  |
| Prepaid business licenses   | 2,800     | 2,500     |
| Other monies received for the maintenance of the Municipal Cemetery | -         | 3,000     |
|   | \$ 12,525 | \$ 14,144 |

## Amounts internally restricted:

|  |            |            |
|--|------------|------------|
| Designated by Council for capital projects and equipment replacement | \$ 707,000 | \$ 230,226 |
| Designated by Council for operating reserves                         | 73,118     | 73,118     |
|  | \$ 780,118 | \$ 303,344 |

**4. Taxes and grants in lieu of taxes receivable**

|                                       | 2018       | 2017       |
|---------------------------------------|------------|------------|
| Current taxes and grants in lieu      | \$ 89,985  | \$ 85,841  |
| Tax arrears                           | 324,028    | 239,070    |
|                                       | 414,013    | 324,911    |
| Less: allowance for doubtful accounts | (56,745)   | (30,010)   |
|                                       | \$ 357,268 | \$ 294,901 |

**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

**5. Temporary loan payable**

|                        | <b>2018</b> | <b>2017</b> |
|------------------------|-------------|-------------|
| Temporary loan payable | \$ -        | \$ 160,000  |

The Town has a revolving line of credit with a limit of \$200,000 to be used for day-to-day expenses. Interest is calculated from the date funds are advanced on the daily outstanding principal at prime plus 0.26% per annum and payable on the last day of each month. The temporary loan is payable in full on demand.

**6. Employee benefit obligations**

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The amounts of \$49,507 (2017 - \$14,002) are included in accounts payable and accrued liabilities.

The Town also has accumulating non-vesting sick leave benefits.

**7. Deferred revenue**

|  |                  |                  |
|--|------------------|------------------|
| Prepaid business licenses  | \$ 2,800         | \$ 2,500         |
| Prepaid facility memberships   | 9,725            | 8,644            |
| Other monies received for the maintenance of the<br>Municipal Cemetery | -                | 3,000            |
|  | <b>\$ 12,525</b> | <b>\$ 14,144</b> |

Revenue received in advance for services which have not yet been performed are shown as deferred. Unexpended funds are supported by restricted cash and cash equivalents (see Note 3).

**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

**8. Long term debt**

|                    | 2018                | 2017              |
|--------------------|---------------------|-------------------|
| Debentures payable | \$ 745,632          | \$ 803,364        |
| Non-revolving loan | <b>750,000</b>      | -                 |
|                    | <b>\$ 1,495,632</b> | <b>\$ 803,364</b> |

|            | Principal  | Interest  | Total      |
|------------|------------|-----------|------------|
| 2019       | \$ 135,389 | \$ 61,140 | \$ 196,529 |
| 2020       | 138,169    | 55,618    | 193,787    |
| 2021       | 141,076    | 49,828    | 190,904    |
| 2022       | 144,118    | 43,975    | 188,093    |
| 2023       | 147,299    | 37,981    | 185,280    |
| Thereafter | 789,581    | 94,675    | 884,256    |

The current portion of the long term debts amounts to \$135,389 (2017 - \$57,732).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at 4.551% per annum and matures in 2028. It is issued on the credit and security of the municipality at large.

The non-revolving loan is used on the overage of costs on Highway 619. It bears interest at prime minus 0.25% per annum, due on demand, and is with an annual principal payments of \$75,000 due November 30 of each year.

Interest on long term debt including accrued interest payable amounted to \$54,648 (2017 - \$37,716).

The Town's total cash payment for long term interest in 2018 was \$54,648 (2017 - \$38,452).

**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

**9. Debt Limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the municipality be disclosed as follows:

|                                       | <u>2018</u>         | <u>2017</u>         |
|---------------------------------------|---------------------|---------------------|
| Total debt limit                      | \$ 5,116,322        | \$ 4,753,850        |
| Total long term debt                  | <u>(1,495,632)</u>  | <u>(803,364)</u>    |
| Amount of debt limit unused           | <u>\$ 3,620,690</u> | <u>\$ 3,950,486</u> |
| Debt servicing limit                  | \$ 852,720          | \$ 792,308          |
| Debt services                         | <u>(196,529)</u>    | <u>(93,643)</u>     |
| Amount of debt servicing limit unused | <u>\$ 656,191</u>   | <u>\$ 698,665</u>   |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 25520/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**10. Equity in tangible capital assets**

|  | <u>2018</u>          | <u>2017</u>          |
|--|----------------------|----------------------|
| Tangible capital assets ( <i>Schedule 2</i> )  | \$ 37,361,800        | \$ 36,647,039        |
| Accumulated amortization ( <i>Schedule 2</i> ) | <u>(18,458,729)</u>  | <u>(17,633,405)</u>  |
| Long term debt - capital ( <i>Note 8</i> )     | <u>(1,495,632)</u>   | <u>(803,364)</u>     |
|  | <u>\$ 17,407,439</u> | <u>\$ 18,210,270</u> |

**11. Accumulated surplus**

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

|                                   | <u>2018</u>          | <u>2017</u>          |
|-----------------------------------|----------------------|----------------------|
| Unrestricted surplus              | \$ 1,379,090         | \$ 1,355,924         |
| Restricted surplus                |                      |                      |
| Operating reserves                | 73,118               | 73,118               |
| Capital reserves                  | 707,000              | 230,226              |
| Equity in tangible capital assets | <u>17,407,439</u>    | <u>18,210,270</u>    |
|                                   | <u>\$ 19,566,647</u> | <u>\$ 19,869,538</u> |

## TOWN OF VIKING

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**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

**12. Segmented disclosure**

The Town 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.

**13. Salaries and benefits disclosure**

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

|                              | Salary (1)        | Benefits and<br>allowances (2) | 2018              | 2017              |
|------------------------------|-------------------|--------------------------------|-------------------|-------------------|
| Mayor                        |                   |                                |                   |                   |
| J. Ritchie                   | \$ 12,000         | \$ 405                         | \$ 12,405         | \$ 3,465          |
| D. Zayonce                   | \$ -              | \$ -                           | \$ -              | \$ 8,414          |
| Councillors                  |                   |                                |                   |                   |
| J. Acres                     | 11,300            | 405                            | 11,705            | 9,616             |
| L. Weisgerber                | 9,000             | 290                            | 9,290             | 7,069             |
| D. Ewashko                   | 8,900             | 285                            | 9,185             | 2,736             |
| C. Nearing                   | 8,400             | 306                            | 8,706             | 2,300             |
| G. Hafso                     | 7,782             | 296                            | 8,078             | -                 |
| D. O'Toole-Balaban           | 7,382             | 259                            | 7,641             | -                 |
| R. Hunter                    | -                 | -                              | -                 | 8,789             |
| J. Ritchie                   | -                 | -                              | -                 | 5,639             |
| T. Hartl                     | -                 | -                              | -                 | 5,591             |
| E. Lefsrud                   | -                 | -                              | -                 | 5,406             |
| M. Huibers                   | -                 | -                              | -                 | 1,750             |
| Chief administrative officer | 63,078            | 12,901                         | 75,979            | 98,518            |
|                              | <b>\$ 127,842</b> | <b>\$ 15,147</b>               | <b>\$ 142,989</b> | <b>\$ 159,293</b> |

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. Total fees for service including expense reimbursement \$57,287 (2017 - \$62,941) was paid to the interim chief administrative officer.

**TOWN OF VIKING**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2018**

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**14. Local Authorities Pension Plan**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

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

Total current service contributions by the Town to the LAPP were \$56,125 (2017 – \$53,974). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan were \$50,934 (2017 - \$49,502).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$2.26 billion.

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**15. Commitments**

The Town has various cost sharing agreements with surrounding municipalities. The purpose of these agreements is to maintain or enhance regional services, assets and programs, thereby, improving the social, economic and environmental well-being of the region.

The Town has entered into an equipment lease commencing December 2018 for 5 years. The minimum payments as required are as follows:

|      |    |                |
|------|----|----------------|
| 2019 | \$ | 31,405         |
| 2020 |    | 31,405         |
| 2021 |    | 31,405         |
| 2022 |    | 31,405         |
| 2023 |    | 28,788         |
|      |    | <u>154,408</u> |
|      | \$ | <u>154,408</u> |

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**16. Contingent liability**

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

The Town as well as several Town employees are currently named as defendant's in a civil action. The Town has been advised that the matter, dependant on the final resolution, is an insurance claim limiting the Town's liability to an applicable deductible.

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**TOWN OF VIKING**

**Notes to Consolidated Financial Statements  
Year Ended December 31, 2018**

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**17. Comparative figures**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

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**18. Approval of financial statements**

Council and management have approved these financial statements.

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