



Financial Information Return Manual for December 31, 2017

Alberta Municipal Affairs (2017) *Municipal Financial Information Return Manual*

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Table of Contents

1.	Introduction.....	1-1
1.1.	General Reporting Requirements for Municipal Governments.....	1-1
1.2.	Accounting Policies Applicable to Municipal Government Reporting.....	1-1
1.3.	The Financial Information Return Manual.....	1-1
1.4.	Financial Information Return Form.....	1-1
2.	Financial Position (Schedule 9A).....	2-1
2.1.	General	2-1
2.2.	Line Definitions.....	2-1
3.	Change in Accumulated Surplus (Schedule 9B)	3-1
3.1.	Line Definitions.....	3-1
4.	Financial Activities by Function (Schedule 9C).....	4-1
4.1.	General	4-1
4.2.	Line Definitions.....	4-1
5.	Financial Activities by Type/Object (Schedule 9D).....	5-1
5.1.	General	5-1
5.2.	Line Definitions - Revenue	5-1
5.3.	Line Definitions - Expense.....	5-5
6.	Revenue and Expense Supplementary Detail (Schedule 9E)	6-1
6.1.	Column Definitions	6-1
7.	Tangible Capital Assets Supplementary Detail (Schedule 9F)	7-1
7.1.	Column Definitions	7-1
8.	Change in Tangible Capital Assets (Schedule 9G).....	8-1
8.1.	General	8-1
8.2.	Line Definitions – Tangible Capital Assets - Cost.....	8-1
8.3.	Line Definitions – Other – Tangible Capital Assets.....	8-2
9.	Long Term Debt Support (Schedule 9H)	9-1
10.	Long Term Debt Sources (Schedule 9I)	10-1
11.	Future Long Term Debt Repayments (Schedule 9J)	11-1
12.	Property Taxes and Grants in Place (Schedule 9K)	12-1
13.	Grants In Place Of Taxes (Schedule 9L).....	13-1
14.	Debt Limit (Schedule 9AA).....	14-1

15.	Function Classifications	15-1
15.1.	General	15-1
15.2.	General Government	15-1
15.3.	Protective Services	15-2
15.4.	Transportation Services	15-3
15.5.	Environmental Use and Protection	15-4
15.6.	Public Health and Welfare Services	15-5
15.7.	Planning and Development.....	15-6
15.8.	Recreation and Culture	15-7
15.9.	Other Utility Functions.....	15-8
15.10.	Other	15-8
16.	Application of Accounting Policies to Specific Items	16-1
16.1.	Government Transfers	16-1
16.2.	Interest on Long Term Debt	16-1
16.3.	Pension Costs and Obligations	16-1
16.4.	Investments.....	16-1
16.5.	Inventories	16-1
16.6.	Inventory of Land Held for Resale	16-2
16.7.	Funds Received Relating to Reserve Land.....	16-2
16.8.	Capital Grants and Tangible Capital Assets	16-3
16.9.	Debt Charges Recoverable	16-3
16.10.	Local Improvement Charges.....	16-3
16.11.	Allowances for Assets	16-4
16.12.	Excess Collections and Under-levies.....	16-4
16.13.	Internal Cost and Revenue Allocations.....	16-4
16.14.	Property Acquired Through Tax Recovery.....	16-5
16.15.	Trusts Under Administration	16-5
16.16.	Reporting Entities	16-5
16.17.	Constructing Tangible Capital Assets with Municipal Forces.....	16-6
17.	Audit Requirements.....	17-1
17.1.	General	17-1
17.2.	Suggested Audit Report Wording.....	17-1
18.	Reporting to Alberta Municipal Affairs.....	18-1

1. Introduction

1.1. General Reporting Requirements for Municipal Governments

Financial Information Return

Sections 277 and 278 of the *Municipal Government Act (MGA)* require that each municipality annually prepare the financial information return and send it, together with an auditor's report, to the Minister by May 1 of the following year.

Financial Statements

Section 276 of the *MGA* requires that each municipality prepare annual financial statements of the municipality in accordance with generally accepted accounting principles for municipal governments recommended by the Chartered Professional Accountants of Canada. The introduction to the accounting recommendations in the Handbook states, "*Governments and other entities in the public sector should refer to the Introduction to the CPAC Public Sector Accounting Handbook to determine the appropriate basis of accounting for purposes of their financial reporting.*"

A subscription to the Public Sector Accounting Handbook and the ongoing updates may be obtained by contacting the Chartered Professional Accountants of Canada - Knotia, at 1-866-256-6842.

1.2. Accounting Policies Applicable to Municipal Government Reporting

The FIR is to be prepared in accordance with the content, accounting principles, and standards set out in this Manual. The department uses the FIR to build a database that permits meaningful comparisons.

The definitions and accounting policies used for specific items in the FIR will generally be the same as those recommended by the Public Sector Accounting Board (PSAB) which apply to annual financial statements. However, the FIR **is not** a financial statement and the PSAB recommendations may not always apply.

1.3. The Financial Information Return Manual

The FIR should be prepared in accordance with the content, accounting principles, and standards prescribed by the Minister through regulation. Both the form, which is available from the Ministry website, and the accounting principles and standards set out in this manual are authorized by Alberta Regulation No. 158/2000 pursuant to section 277 of the *MGA*.

1.4. Financial Information Return Form

The Financial Information Return Form is the form prescribed by the Minister under section 277 of the *MGA*.

2. Financial Position (Schedule 9A)

2.1. General

The financial position schedule reflects total financial assets, total liabilities, net financial assets (net debt), non financial assets and the accumulated surplus at the year-end date.

2.2. Line Definitions

Cash and Temporary Investments (Line 0020)

Consists of cash and any investments which are transitional or current in nature and which are capable of reasonably prompt liquidation.

This could include cash on hand, cash on deposit in a bank or other financial institution, term deposits, treasury bills, investment certificates, and marketable securities. Cash accounts with negative balances should be reported as a liability.

Taxes and Grants in Place of Taxes Receivable - Current and Arrears (Line 0040 and 0050)

Contains the total of all taxes and grants-in-place levied by the municipality, penalties, tax arrears consolidation agreement balances, and charges that have been added to the tax roll, which remain unpaid at the end of the reporting year.

The current classification (line 0040) contains the balances levied, applied, or charged during the reporting year, and related penalties.

The arrears classification (line 0050) contains the balances levied, applied, or charged in years prior to the reporting year, and related penalties.

Taxes and Grants in Place of Taxes Receivable - Allowances (Line 0060)

Contains valuation allowances related to taxes and grants in place of taxes recorded to reduce the carrying balances to reflect the lower of cost or net recoverable value. The allowance, being a credit accounting balance, should be reported as a negative value.

Receivable from Other Governments (Line 0070)

Contains all balances, except for trade receivable balances, due from Federal, Provincial, or local governments (including government agencies, municipal jurisdictions, school jurisdictions, and hospital or health jurisdictions).

This will typically include outstanding balances of conditional or unconditional transfers (grants), subsidies, or advances which are due or accrued at the end of the reporting year.

Loans Receivable (Line 0080)

Contains the balance of loans, including accrued interest, due from a controlled corporation or a non-profit organization as provided for in sections 264 and 265 of the *MGA*.

Trade and Other Receivables (Line 0090)

Includes amounts claimed against a customer for goods or services sold in the ordinary course of business. It also includes amounts receivable from other governments which would otherwise be included in "Receivable from Other Governments" but which are in the nature of trade.

Other receivables include all amounts receivable or accrued as receivable from outside organizations or individuals, which are not included in the receivable categories, defined above. This receivable may include fines.

"Trade and Other Receivables" should be reported net of allowances for amounts that are expected to be uncollectible.

Debt Charges Recoverable (Line 0095)

Includes amounts that are recoverable in future periods from local boards and agencies or other governments in respect of outstanding debentures or other long-term debt.

For example, Municipality A borrows \$50,000 to complete a joint project with Municipality B. Municipality B has agreed to repay a portion of the debt over a fixed time period. The unpaid amount is reported on line 0095 by Municipality A.

Inventories Held for Resale - Land (Line 0140)

Used to report land and related development costs which are intended for sale to outside organizations or individuals.

Inventories Held for Resale - Other (Line 0150)

Used to report stocks of inventory (excluding land) on hand at the end of the reporting period which are intended for sale to outside organizations or individuals.

Long Term Investments (Lines 0180, 0190, 0200, 0210)

Contains investments that are not readily convertible to cash in the short term.

This would generally include term deposits, bonds, investment certificates, debentures, mortgages, and other securities, which have a maturity date longer than one year. It would also include investments that are of a more permanent nature, such as shares of a co-operative.

Current portions of long term investments should be reported as long term investments, and should not be reported as “Temporary Investments” on line 0020.

Section 250 of the *MGA* specifies investments that a municipality can make.

Other Current Assets (Line 0230)

Used to report asset balances, which are not included in the asset categories, defined above and which are expected to be realized within one year of the reporting date. This would generally include deposits placed on agreements for sale.

Also used to report the total amount of underlevies on requisitioned property taxes which must be recovered in the year following the reporting year in accordance with subsection 359(3) of the *MGA*.

Other Long Term Assets (Line 0240)

Used to report asset balances, which are not included in the asset categories defined above, and are not expected to be realized within one year of the reporting date. These could generally include deposits on longer-term contracts such as building rental agreements or utility service agreements.

Temporary Loans Payable (Line 0280)

Includes amounts payable for borrowings from banks or other sources for the purpose of temporary financing, such as lines of credit or overdrafts with a repayment term of one year or less.

Payable to Other Governments (Line 0290)

Includes balances payable to Federal, Provincial, or local governments arising from the purchase of goods or services for resale or for supply and use by citizens at large. Governments include government agencies, municipal jurisdictions, school jurisdictions, and hospital or health jurisdictions.

This reporting line should generally include:

- 1) outstanding balances of conditional or unconditional transfers (grants), subsidies, or advances which are due or accrued at the end of the reporting year
- 2) amounts of taxes requisitioned which are due to requisitioning authorities and which are unpaid at the reporting date.

Accounts Payable & Accrued Liabilities (Line 0300)

A trade account payable is a debt for goods or services purchased in the ordinary course of business.

An accrued liability is a developing but not yet enforceable claim by another person, which is accumulating with the passage of time or the receipt of service. It arises from the purchase of services (including the use of money), which have been only partly performed at the time of accounting and hence are not yet billed or paid for.

This reporting line should include:

- 1) accounts arising from the purchase of goods or services for the municipality's own consumption or use, including purchases from other governments
- 2) accrued interest on borrowings
- 3) accrued rents on leased or rented property
- 4) accrued vacation payable.

Deposit Liabilities (Line 0310)

Used to report deposits received by the municipality, such as utility meter deposits or development deposits.

Deferred Revenue (Line 0340)

Used to report amounts (excluding deposits reported on line 0310) that are received before the transactions or events occur that give rise to the revenues.

Deferred revenue would normally include:

- 1) government transfers received before revenue recognition criteria have been met.
- 2) other deferred revenues.

Long Term Debt (Line 0350)

Used to report long term obligations arising from a borrowing, including lease obligations on assets, which are recorded as property of the municipality. A borrowing with a repayment term of more than one year would normally be considered a long term debt for reporting purposes.

Other Current Liabilities (Line 0360)

Used to report liability balances, which are not included in the other liability categories, defined above and are expected to be realized within one year of the reporting date. "Other Current Liabilities" normally include the total amount of excess collections on requisitioned property taxes which must be applied to taxes levied in the year following the reporting year in accordance with subsection 359(3) of the *MGA*.

Other Long Term Liabilities (Line 0370)

Used to report liability balances, which are not included in the liability categories, defined above and which are not expected to be realized within one year of the reporting date.

Net Financial Assets (Net Debt) (Line 0395)

Net financial assets (net debt) is equal to total financial assets less total liabilities.

Tangible Capital Assets (Line 0400)

Tangible capital assets (TCAs) are non-financial assets having physical substance that:

- (i) are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- (ii) have useful economic lives extending beyond an accounting period;
- (iii) are to be used on a continuing basis; and
- (iv) are not for sale in the ordinary course of operations.

TCAs are recorded according to the capital policies adopted by the municipality and in accordance with PS3150.

Line 0400 should be equal to the amount reported on 9G, column 4, line 3340.

Inventory for Consumption (Line 0410)

Used to report stocks of inventory on hand at the end of the reporting period which will be consumed by the municipality in the course of providing future services.

Prepaid Expenses (Line 0420)

Used to report amounts that are paid in advance for goods or services that are yet to be received or recognized as expenses. It should not be used to report payments, deposits, or other deferred charges which are not expected to be recovered or reported as expenses within one year. It will generally include the unamortized portion of insurance premiums or memberships for coverage that extend into the year following the reporting year.

Other Non Financial Assets (Line 0430)

Used to report non financial assets which are not included in the non financial asset categories above.

Accumulated Surplus (Line 0450)

Accumulated surplus is equal to net financial assets plus total non-financial assets.

3. Change in Accumulated Surplus (Schedule 9B)

Change in Accumulated Surplus categorizes the accumulated surplus into Unrestricted Surplus (column 1), Restricted Surplus (column 2) and Equity in Tangible Capital Assets (column 3). Schedule 9B summarizes the transactions between the three categories during the reporting year.

- Unrestricted surplus is defined as the portion of the accumulated surplus or deficit which results from excess revenue and expenses.
- Restricted surplus is defined as the amount that results from excess revenues which have been internally designated or externally restricted. These restrictions identify funds set aside for a specified future purpose.
- Equity in tangible capital assets is the net book value of recorded tangible capital assets net of capital debt and related debt charges recoverable.

3.1. Line Definitions

Accumulated Surplus-Beginning of Year (Line 0500)

The beginning balance for 2017 will be the ending balance for 2016.

Net Revenue (Expense) (Line 0505)

The excess (shortfall) of revenue over expenses from the Statement of Operations is reported on this line. Line 0505 must agree with line 1590 and line 2150 on 9C and 9D respectively. This amount should be reported as Unrestricted Surplus in column 1.

Funds Designated for Future Use (Line 0511)

This section will reflect council decisions to set aside funds received in the current year from revenue sources such as property taxes, grants and user fees to be used in future years. Typically, the amount reported on line 0511 will be a decrease to Unrestricted Surplus and an increase to Restricted Surplus.

Restricted Funds Used for Operations (Line 0512)

This section will reflect any decisions to use funds set aside in previous years for current year operations. Typically, the amount reported on line 0512 will be a decrease to Restricted Surplus and an increase to Unrestricted Surplus.

Restricted Funds Used for TCA (Line 0513)

This section will reflect any decisions to use funds set aside in previous years for the purchase of tangible capital assets. Typically, the amount reported on line 0513 will be a decrease to Restricted Surplus and an increase to Equity in TCA.

Current Year Funds Used for TCA (Line 0514)

Funds generated from current year revenues to acquire tangible capital assets are included in the net revenue (expense) amount reported on line 0505, column 1 (unrestricted).

These amounts should be transferred to Equity in TCAs if the asset has been purchased during the fiscal year. Typically, the amount reported on line 0514 will be a decrease to Unrestricted Surplus and an increase to Equity in TCAs.

Contributed Assets (Line 0516)

Contributed assets are non-cash transactions recorded as revenue on the Statement of Operations and are, therefore, reflected in the net revenue (expense) amount reported on line 0505, column 1 (unrestricted).

These amounts would generally be included in Equity in TCA. Typically, the amount reported on line 0516 will be a decrease to Unrestricted Surplus and an increase to Equity in TCA.

Disposals of Tangible Capital Assets (Line 0517)

The amount reported on line 0517 should be equal to the net book value adjustment required for any disposals during the year. The amount reported on line 0517 will be an increase to the Unrestricted or the Restricted Surplus and a decrease to Equity in TCA.

Annual Amortization (Line 0518)

The annual amortization expense is reported in the Statement of Operations. This amount should reduce the Equity in TCAs. Typically, the amount reported on line 0518 will be an increase to Unrestricted Surplus and a decrease to Equity in TCA.

Long Term Debt Issued (Line 0519)

Capital debt transactions (excluding interest payments) are recorded in the Statement of Cash Flow. Debt issued for acquiring or constructing tangible capital assets will impact the Equity in TCAs.

The entries on lines 0519 and 0522 must net to zero and are shown only in column 3 - Equity in TCA. These entries are intended to reflect debt issued and tangible capital assets acquired as reported in the Statement of Cash Flow.

Long Term Debt Repaid (Line 0521)

Debt repayments increase the Equity in TCAs and are normally made from current revenue. Typically, the amount reported will be a decrease to Unrestricted Surplus and an increase to Equity in TCA.

Long Term Debt Used for TCA (Line 0522)

Refer to line 0519 above.

Other Adjustments (Line 0524)

This line provides for other entries, generally of an extraordinary nature, that result in a transfer within the accumulated surplus categories. An example of an extraordinary entry is when an asset becomes impaired resulting in a write down. The write down will be included as an expense in the net revenue (expense) amount on line 0505, column 1 and needs to be added back into the Unrestricted Surplus and deducted from the Equity in TCAs.

Accumulated Surplus – End of Year (Line 0525)

Line 0525, column 3, must equal the amount recorded on 9G, column 4, line 3400.

Line 0525, column 4, must equal the amount recorded on 9A, column 1, line 0450.

4. Financial Activities by Function (Schedule 9C)

4.1. General

The basis of accounting for revenues and expenses in the Financial Activities by Function schedule (9C) and Financial Activities by Type / Object schedule (9D) is the same. The amounts reported as "Total Revenues", "Total Expenses", and "Net Municipal Revenue (Expense)" on each of these schedules must agree.

4.2. Line Definitions

Total General Revenue (Line 0700)

Used to report revenues which are not allocated to specific reporting functions. It should normally include the following amounts reported on 9D:

- 1) all "Taxation and Grants in Place" reported on lines 1720, 1730, 1760, and 1780
- 2) the portion of "Taxation and Grants in Place" reported on lines 1740, 1750, and 1770 which are not allocated to specific reporting functions on lines 0730 to 1130
- 3) all "Penalties and Costs on Taxes" reported on line 1810
- 4) fines generated by the province that accrue to a municipality when the "Protective Services - Police" function is not reported
- 5) all "Franchise and Concession Contracts" reported on line 1840
- 6) the portion of "Returns on Investments" reported on line 1850 which are not allocated to specific reporting functions on lines 0730 to 1130
- 7) all "Federal Government Unconditional Transfers" reported on line 1890
- 8) all "Provincial Government Unconditional Transfers" reported on line 1910
- 9) the unconditional portion of "Local Government Transfers" reported on line 1930
- 10) the portion of "Other Revenues" reported on line 1970 which are not allocated to specific reporting functions on lines 0730 to 1130.

Function Revenue (Lines 0730 to 1130)

Used to report all revenues reported on lines 1720 to 1970 of 9D which are not reported as "Total General Revenue" on line 0700. For reporting purposes, function classifications should be determined according to the function definitions provided in section 16 of this manual.

Function Expenses (Lines 1170 to 1570)

Used to report all expenses reported on lines 2000 to 2130 of 9D. For reporting purposes, function classifications should be determined according to the function definitions provided in section 15 of this manual.

Net Revenue/Expenses (Line 1590)

Line 1590, column 2 must be equal to 9B, column 1, line 0505.

5. Financial Activities by Type/Object (Schedule 9D)

5.1. General

The basis of accounting for revenues and expenses for Financial Activities by Function (9C) and Financial Activities by Type / Object (9D) is the same. The amounts reported as "Total Revenues", "Total Expenses", and "Net Revenue (Expense)" on each of these schedules must agree.

5.2. Line Definitions - Revenue

Taxation and Grants in Place - Property (Net Municipal) (Line 1720)

Used to report the net municipal portion of all property taxes and grants in place levied or collected under Division 2 of Part 10 of the *MGA*. The amount reported should agree with the amount reported as "Net Municipal Property Taxes and Grants in Place" on line 4130 of Property Taxes and Grants in Place (9K). All net municipal property taxes and grants in place should be reported as revenue.

Taxation and Grants in Place - Business (Line 1730)

Used to report all business taxes and grants in place levied or collected under Division 3 of Part 10 of the *MGA*.

Taxation and Grants in Place - Business Revitalization Zone (Line 1740)

Used to report all business revitalization zone taxes and grants in place levied or collected under Division 4 of Part 10 of the *MGA*.

Taxation and Grants in Place - Special (Line 1750)

Used to report all special taxes and grants in place levied or collected under Division 5 of Part 10 of the *MGA*.

Taxation and Grants in Place - Well Drilling (Line 1760)

Used to report all well drilling taxes and grants in place levied or collected under Division 6 of Part 10 of the *MGA*.

Taxation and Grants in Place - Local Improvement (Line 1770)

Used to report all local improvement taxes and grants in place levied or collected under Division 7 of Part 10 of the *MGA*.

Sales to Other Governments (Line 1790)

Used to report revenue from the sale of goods or services to federal, provincial, or local governments and their agencies which are, or will be, used by that government to supply a good or service to its citizens which it would normally be responsible for providing. It should not be used to report services which are consumed directly by other governments.

This category may include the following services provided to other governments:

- 1) road maintenance
- 2) snow removal
- 3) supply of water
- 4) treatment of wastewater
- 5) garbage collection
- 6) fire protection
- 7) police protection.

Sales and User Charges (Line 1800)

Used to report revenue from the sales of goods and services to individuals, organizations, corporations or other governments, except for sales reported as "Sales to Other Governments" on line 1790 above. It will normally include:

- 1) Utility service charges
- 2) User fees for municipally-owned sports facilities
- 3) Gain on sale of land inventory held for resale.

Penalties and Costs on Taxes (Line 1810)

Used to report all revenue from penalties and costs levied in the tax roll, as well as penalties or interest charges added to water, sewer or other trade accounts.

Licenses and Permits (Line 1820)

Used to report all revenue from the issuance of municipal licenses and permits. The classification would include:

- 1) professional, business, amusement, taxi, animal, and bicycle licenses
- 2) building, construction and demolition permits
- 3) gas, plumbing or power permits.

Fines (Line 1830)

Used to report all revenue from an infraction or uncontested infraction of a law or a by-law of the municipality. Fines should be recorded as revenue in the period that they are imposed. This would normally include:

- 1) fees for impounded animals
- 2) overdue charges for library books
- 3) fines generated by the province on behalf of the municipality when the "Protective Services - Police" function is reported.

Franchise and Concession Contracts (Line 1840)

Includes all revenue from franchise or concession agreements, excluding any portion attributable to normal taxes which must be levied against the property of the franchise or concession holder.

A franchise or concession contract is defined as an agreement whereby the municipality sub-lets or contracts a service which it would normally provide to a franchise or concession holder in return for a percentage of gross sales or retail revenue. This would normally include contracts to provide:

- 1) electrical utilities
- 2) natural gas utilities
- 3) concessions at municipally-owned sports facilities.

Returns on Investments (Line 1850)

Used to report all revenue resulting from investments. Any losses on investments should also be reported on this line and netted against revenues. This reporting line would normally include:

- 1) interest on securities
- 2) interest on loans and advances
- 3) foreign currency exchange gains and losses on investments
- 4) discounts on the purchase of securities
- 5) profits and losses on the sale of investments.

Rentals (Line 1860)

Used to report all revenue from the rental or leasing of municipally owned property.

Insurance Proceeds (Line 1870)

Used to report proceeds from insurance loss settlements in excess of the net book value of tangible capital assets.

Net Gain on Sale of Tangible Capital Assets (Line 1880)

Used to report gains from the sale of capital property, including trade-in allowances.

Net losses on the sale of capital property should be reported on line 2125.

Contributed and Donated Assets (Line 1885)

Used to report the fair market value of contributed and donated assets.

Federal Government Unconditional Transfers (Line 1890)

Used to report entitlements, transfers under shared cost agreements, and grants from the Federal Government for which the municipality has full discretion as to its use.

Federal Government Conditional Transfers (Line 1900)

Used to report entitlements, transfers under shared cost agreements, and grants from the Federal Government to which conditions are attached or which the municipality can only use for specified purposes.

Provincial Government Unconditional Transfers (Line 1910)

Used to report entitlements, transfers under shared cost agreements, and grants from the provincial government for which the municipality has full discretion as to its use.

This may include both operating and capital amounts.

Provincial Government Conditional Transfers (Line 1920)

Used to report entitlements, transfers under shared cost agreements, and grants from the provincial government to which conditions are attached or which the municipality can only use for specified purposes.

This may include both operating and capital amounts.

Local Government Transfers (Line 1930)

Used to report entitlements, transfers under shared cost agreements, and grants from other local governments.

Transfers from Local Boards and Agencies (Line 1940)

Used to report entitlements, transfers under shared cost agreements, and grants from local boards and agencies within the municipality.

Developers' Agreements and Offsite Levies (Line 1960)

Used to report charges imposed on developers either through development agreements or through an offsite levy bylaw for expansion of water supply and distribution, wastewater treatment, roads and storm drainage facilities and other matters stipulated in the bylaw.

Other Revenues (Line 1970)

Used to report revenues which are not included in the revenue categories defined above.

- 1) Normally included are fines collected by the province on behalf of the municipality if no police function is reported, funds acquired from private firms, individuals, and organizations, payments received in place of reserve land under section 666 of the *MGA* and proceeds from the disposal of surplus reserve land under section 674 or 675 of the *MGA*. Please refer to section 16 of this manual for a detailed discussion of this issue.

5.3. Line Definitions - Expense

Salaries, Wages, and Benefits (Line 2000)

Used to report the remuneration of all employees, elected and appointed officials. All forms of remuneration, paid either directly to employees or to others on their behalf (e.g. fringe benefits), are to be included. This would normally include:

- 1) salaries and wages (including contracts of employment)
- 2) per diems
- 3) employer contributions to Canada Pension Plan, Unemployment Insurance, and other pension and insurance plans
- 4) accrued vacation
- 5) moving expenses.

Contracted and General Services (Line 2010)

Used to report expenses made to acquire services on a contracted basis excluding contracts of employment reported on line 2000 and purchases from other governments reported on line 2020. This would normally include expenses for:

- 1) travel and subsistence
- 2) express and cartage
- 3) postage
- 4) communications
- 5) contracted transportation services
- 6) memberships
- 7) conference fees
- 8) advertising in periodicals, newspapers or other media
- 9) designing and printing of forms and publications
- 10) professional services (audit, planning, legal, etc.)
- 11) repair and maintenance of tangible capital assets
- 12) rentals of tangible capital assets
- 13) licenses and permits
- 14) damage claims
- 15) taxes
- 16) insurance and bond premiums
- 17) election and census costs.

Purchases from Other Governments (Line 2020)

Used to report expenses on services which would normally be provided by the municipality and which are acquired in bulk from another government for redistribution to the citizens of the municipality. This would normally include the purchase of the following services for an area within the municipality's boundary from another municipality:

- 1) road maintenance
- 2) snow removal
- 3) supply of water
- 4) treatment of wastewater
- 5) garbage collection
- 6) fire protection
- 7) police protection.

Materials, Goods, Supplies, and Utilities (Line 2030)

Used to report expenses for the purchase of materials, goods, supplies and utilities, excluding purchases from other governments which are reported on line 2020 above. This would normally include expense for the purchase of:

- 1) stationery
- 2) janitorial supplies
- 3) uniforms
- 4) data processing supplies
- 5) election supplies
- 6) census supplies
- 7) pharmaceutical and first aid supplies
- 8) long service awards
- 9) equipment, machinery, and vehicle maintenance supplies such as gas, oil, parts, and consumable tools
- 10) construction and maintenance materials such as sand, gravel, chemicals, salts, ground materials, paving, curb, sidewalk materials, hardware, plumbing and electrical supplies
- 11) utilities such as water and sewage, gas, electricity, steam and central heating
- 12) media materials such as library books, periodicals, films, audio recordings, and video recordings.

Provision for (Recovery of) Allowances (Line 2040)

Used to report allowance provisions required in the current year in respect of year end asset balances and to report direct write-offs of asset balances excluding amortization and disposals which are reported separately on lines 2110 and 2125 below. This would normally include:

- 1) provisions for allowances on uncollectible taxes
- 2) provisions for estimated losses on the collection of outstanding accounts receivable
- 3) direct write-offs of accounts receivable which are considered to be uncollectible
- 4) as a credit, a reduction in allowances provided for assets in previous years
- 5) as a credit, amounts recovered on accounts previously written off
- 6) provisions for estimated losses on the sale of land inventories held for resale.

If the amounts recovered and the reduction in allowances exceeds the current provision for allowances, the resulting credit balance should be reported as a negative amount.

Transfers to Other Governments (Line 2050)

Used to report entitlements, transfers under shared cost agreements, and grants made to the Federal, Provincial, or other local governments.

Transfers to Local Boards and Agencies (Line 2060)

Used to report entitlements, transfers under shared cost agreements, and grants made to local boards and agencies within the municipality. This would normally include grants made to:

- 1) independent library boards
- 2) independent recreation boards
- 3) independent ambulance boards.

Transfers to Individuals and Organizations (Line 2070)

Used to report entitlements, transfers under shared cost agreements, and grants made to individuals and organizations. Examples include grants made to:

- 1) service clubs
- 2) private ambulance operators
- 3) sports organizations.

Bank Charges and Short Term Interest (Line 2080)

Used to report interest charges on temporary borrowings of an original term of one year or less and other bank service charges.

Interest on Operating Long Term Debt (Line 2090)

Used to report the interest on long term debt acquired for operating purposes. The amount reported should be on an accrual basis.

Interest on Capital Long Term Debt (Line 2100)

Used to report the interest on long term debt acquired for the purpose of obtaining tangible capital assets. The amount reported should be on an accrued basis.

Amortization of Tangible Capital Assets (Line 2110)

Used to report the current provision for amortization of tangible capital assets.

Net Loss on Disposal of Tangible Capital Assets (Line 2125)

Used to report losses on disposal of capital property. Net gains on the sale of capital property should be reported on line 1880.

Write-Down of Tangible Capital Assets (Line 2127)

Used to report write-downs of net book value where the value of a tangible capital asset has been impaired.

Other Expenses (Line 2130)

Used to report expenses which are not included in the other expense categories defined above. It will normally include:

- 1) tax rebates and discounts
- 2) deficiencies resulting from revenue from franchise or concession agreements being less than the amount attributable to normal taxes which must be levied against the property of the franchise or concession holder.

Net Revenue/Expenses (Line 2150)

Line 2150, column 2 must be equal to 9B, column 1, line 0505.

6. Revenue and Expense Supplementary Detail (Schedule 9E)

Columns 1 to 4 on the Revenue and Expense Supplementary Detail (9E) report a breakdown by function of provincial capital grants and of other amounts reported in total on Financial Activities by Type / Object (9D).

6.1. Column Definitions

Sales and User Charges (Column 1)

This column provides a breakdown by function of the municipal sales and user charges and must equal the amount entered on 9D, line 1800.

Provincial Capital Transfers (Column 2)

This column should include a breakdown by function of provincial capital transfers. The amounts reported here do not necessarily link to 9D, lines 1910 and 1920, which should disclose provincial transfers based upon whether the amounts are conditional and unconditional.

The definition of capital transfers from the Province will vary between grant programs and provincial departments. These definitions are not expected to be standardized.

Amounts reported in Column 2 **should follow the provincial definition of capital grants**, not the amount spent that is recorded as a TCA (refer to section 16.8).

Annual Amortization Expense (Column 3)

This column provides a breakdown by function of the annual amortization expense on the tangible capital assets must equal the amount entered on 9D, line 2110.

Interest on Long-Term Debt (Column 4)

This column provides a breakdown by function of the interest expense on long-term capital debt and must equal the amount entered on 9D, line 2100.

7. Tangible Capital Assets Supplementary Detail (Schedule 9F)

7.1. Column Definitions

Purchased Tangible Capital Assets (Column 1)

Column 1 on Tangible Capital Assets Supplementary Detail (9F) reports a breakdown by function of all TCA additions reported under column 2 on line 3260 of 9G, with the exception of donated or contributed TCAs.

Donated or Contributed Tangible Capital Assets (Column 2)

Column 2 on 9F reports a breakdown by function of the total donated and contributed tangible capital asset additions in the year reported on line 1885 of Consolidated Financial Activities by Type (9D).

Line 3120, columns 1 and 2 should be equal to 9G, column 2, line 3260.

Capital Long Term Debt Principal Additions and Reductions (Columns 3 & 4)

Columns 3 and 4 on 9F report details of the additions to, and reductions of, capital long term debt principal in the year.

The balance of long term debt reported in the previous year on line 0350 of the Financial Position (9A), plus the total principal additions reported in the current reporting year under column 3 on line 3120 of 9F, minus the total principal reductions reported in the current reporting year under column 4 on line 3120 of 9F, should agree to the long term debt balance reported in the current reporting year on line 0350 of schedule 9A.

8. Change in Tangible Capital Assets (Schedule 9G)

8.1. General

Change in Tangible Capital Assets (9G) reports details of additions to, and reductions of, TCA during the year. The balance of Net Book Value of Capital Property from 9G, column 4, line 3340 should agree to the amount reported on line 0400 of the Financial Position (9A).

When reclassifying existing TCA's adjust the opening balances and do not treat these adjustments as additions and reductions.

8.2. Line Definitions – Tangible Capital Assets - Cost

Engineered Structures (Lines 3210 to 3218)

Engineered Structures are further sub-classed into:

- Roadway Systems (Line 3201)
- Light Rail Transit Systems (Line 3202)
- Water Systems (Line 3203)
- Wastewater Systems (Line 3204)
- Storm Systems (Line 3205)
- Fibre Optics (Line 3206)
- Electricity Systems (Line 3207)
- Gas distribution Systems (Line 3208)

This category may also include buildings and/or machinery and equipment if those assets are designed and used exclusively for the particular system. For example, a building housing a water pump used exclusively for the water system would be included in line 3213 as would the pump itself.

Construction in Progress (Line 3219)

Tangible capital assets which are under construction at year end. This category could include engineered structures, buildings, machinery & equipment, and land improvements. Amortization is not calculated on items in this category.

When transferring balances from construction in progress to the appropriate TCA accounts in schedule G any reductions in construction in progress (line 3219) must be recorded as a negative addition as opposed to a positive reduction.

Recording changes to construction in progress in this manner will allow for the change to result in a net change of 0 to the TCA additions column in schedule G. This in turn allows the total of TCAs purchased and donated and contributed TCAs from schedule F to balance with the total additions recorded in schedule G.

Buildings (Line 3220)

Permanent, temporary or portable building structures, such as offices, garages and warehouses, intended to shelter persons and/or goods, machinery, equipment and working space.

Machinery and Equipment (Line 3230)

Fixed or movable devices for performing any sort of work, such as motors, pumps, electrical or control devices, office appliances and furniture and mobile equipment.

Land (Line 3240)

Land includes land purchased or acquired for parks and recreation, building sites, infrastructure and other program use. Land which is purchased or held with the intent of resale should not be included in this category, but rather should be reported as "Inventories Held For Resale - Land" on line 0140 of 9A.

Land Improvements (Line 3245)

Includes improvements to land such as parking lots, playground structures, fences, pathways and landfills.

Vehicles (Line 3250)

Includes buses and other mass transit units, automobiles, trucks, tractor-trailer units.

8.3. Line Definitions – Other – Tangible Capital Assets**Accumulated Amortization (Lines 3270 to 3320)**

Beginning accumulated amortization, increases, decreases and ending balances are to be recorded for each class and subclass, except land.

Net Book Value of Tangible Capital Assets (Line 3340)

The net book value of tangible capital assets is the Total Cost of Tangible Capital Assets (line 3260) less Total Accumulated Amortization (line 3330). This line should agree with Tangible Capital Assets as reported on 9A, line 0400.

Capital Long Term Debt (Net) (Line 3350)

Capital Long Term Debt (Sch. 9H line 3450 Col 2) net of Debt Charges Recoverable for capital purposes (Sch. 9A line 0095) is recorded on line 3350.

Equity in Tangible Capital Assets (Line 3400)

Equity in Tangible Capital Assets (line 3400) is equal to Net Book Value (line 3340) less any long term debt amounts as reported on line 3350.

Line 3400, column 4 should agree with line 0525, column 3 on 9B.

9. Long Term Debt Support (Schedule 9H)

Long Term Debt Support (9H) reports a breakdown by the intended source of funding for both operating long term debt and capital long term debt reported on line 0350 of the Financial Position (9A).

Where long term debt is not supported exclusively by a single category (e.g. where a water treatment plant debt is partly supported by utility rates and partly supported by general municipal taxes), the balance of the debt should be pro-rated between the categories based on the approximate level of support from the respective sources.

10. Long Term Debt Sources (Schedule 9I)

Long Term Debt Sources (9I) reports a breakdown by the lending source for both operating long term debt and capital long term debt reported on line 0350 of the Financial Position (9A).

11. Future Long Term Debt Repayments (Schedule 9J)

Future Long Term Debt Repayments (9J) reports a breakdown of minimum scheduled principal and interest servicing costs based on existing long term debt balances.

The total principal balance for operating and capital under columns 1 and 2 respectively on line 3770 of 9J should agree to the balance reported on line 0350 of the Financial Position (9A).

12. Property Taxes and Grants in Place (Schedule 9K)

Property Taxes and Grants in Place (9K) reports details of the municipal property tax levy and grants in place of taxes according to assessment source.

Only property taxes levied and grants in place paid under Division 2 of Part 10 of the *MGA* are to be reported in 9K; other taxes such as business tax, business revitalization zone tax, special tax, well drilling equipment tax and local improvement tax are reported on lines 1730 to 1770 of 9D.

Reported amounts of property taxes and grants in place should include any adjustments to the original tax levy resulting from assessment appeals, as well as additions for supplementary assessments.

The property tax equivalent of franchise agreements should be included in property taxes; any excess revenues from the franchise agreement over and above the notional property tax amount should be recorded as revenue from franchise and concession contracts on line 1840 of 9D.

Penalties applied to outstanding property taxes and grants in place should be reported as "Penalties and Costs on Taxes" on line 1810 of 9D.

Adjustments to property taxes and grants in place for excess requisitions or under-levies should be reported as an adjustment to requisition transfers on line 4110 of 9K.

Provision for allowances on uncollectible taxes and tax write-offs should be reported as "Provision for Allowances" on line 2040 of 9D.

Adjustments to property taxes and grants in place for tax rebates, discounts, and cancellations should be reported as "Other Expenses" on line 2130 of 9D.

Requisition transfers reported in 9K should include only those payments defined as requisitions in section 326(a) of the *MGA* and should be reported at the amounts invoiced by the requisitioning authority. No adjustment to the reported requisition amount should be made in respect of:

- 1) allowances for the costs associated with collecting the tax and non-payment of the tax as provided for in section 359(2) of the *MGA*.
- 2) provisions for an over-levy or under-levy of a requisition in the previous year as provided for in section 359(3) of the *MGA*.

Transfers made to independent local organizations. (such as library boards, regional recreation boards, or ambulance boards) pursuant to local agreements, and which are not identified as requisitions under section 326(a) of the *MGA*, should be recorded as "Transfers to Local Agencies" on line 2060 of 9D.

9K, column 4, line 4130 must be equal to 9D, column 1, line 1720.

13. Grants In Place Of Taxes (Schedule 9L)

Grants in Place of Taxes (9L) reports a breakdown of grants in place collected in respect of property taxes (under column 1), business taxes (under column 2), and other taxes (under column 3).

Total grants in place of property taxes reported under column 1 on line 4240 of 9L must agree to the total of grants in place of property taxes under column 2 in line 4000 of 9K.

14. Debt Limit (Schedule 9AA)

Debt Limit (9AA) reports the debt limit calculations for the municipality at the year-end based on Alberta Regulation No. 255/2000.

The formula for calculating revenue under the Debt Limit Regulation has recently been amended and now requires an adjustment for revenues from contributed and donated assets. As well, the requirement to adjust for loans made under section 265 of the *Municipal Government Act* has been eliminated.

Please refer to the Town of New Sampleford financial statements for an example of the required note disclosure. 9AA should duplicate the corresponding amounts used in the financial statement note disclosure.

15. Function Classifications

15.1. General

The Municipal Financial Information Return requires a breakdown by function of revenues, expenses, capital property, and capital long term debt.

When deciding where to classify a particular revenue, expense, asset, or liability, the primary criteria is the purpose or objective of the activity to which it is related. The method or structure of service delivery (for example, purchasing contracted services vs. supplying services directly) should not affect the classification decision.

Where items are related to several functions, a reasonable allocation should be made if possible. For example, where a building is used to maintain both road equipment and public transit vehicles, the building cost, debt, and operating expenses could be allocated between the "Transportation - Road, Streets, Walks, Lighting", and the "Transportation - Public Transit" functions based on floor space used by, or the relative percentage of work done for, each function.

15.2. General Government

This category of functions should be used to report activities which provide for the overall operation of the municipality and which are common to, or affect all of the services provided by, the municipality.

Council and Other Legislative

This function should be used to report council and council-related activities that are directed to the municipality as a whole and related legislative activity.

General Administration

This function should be used to report activities related to the administration of the municipality as a whole, including:

- 1) general administration
- 2) property assessment
- 3) taxation administration
- 4) licensing administration
- 5) municipal census
- 6) accounting
- 7) audit
- 8) legal
- 9) management or other consulting
- 10) municipal association memberships
- 11) public relations
- 12) elections
- 13) plebiscites.

Other General Government

This function should be used to report general government activities, which do not fall within the general government functions, defined above.

15.3. Protective Services

This category of functions should be used to report activities that provide for the public safety of the inhabitants of the municipality.

Police Protection

This function should be used to report activities related to policing and law enforcement, including:

- 1) policing
- 2) municipal courts
- 3) jails.

Fire Protection

This function should be used to report activities related to fire protection and investigation services.

Emergency Measures and Disaster Services

This function should be used to report activities related to emergency measures and disaster prevention and recovery services.

Ambulance Services and First Aid

This function should be used to report activities related to ambulance and paramedic services and first-aid or first-aid training.

By-law Enforcement

This function should be used to report activities related to by-law enforcement, including:

- 1) building inspection
- 2) minimum standards control
- 3) building, parking and traffic by-law enforcement (where not provided through the police force)
- 4) animal and weed control
- 5) duties performed by utility officers (by-law regulations and inspections).

Other Protective Services

This function should be used to report protective service activities which do not fall within the protective services functions defined above.

15.4. Transportation Services

This category of functions should be used to report activities related to public transportation.

Common and Equipment Pool

This function should be used to report activities which are related to, or benefit, several transportation functions and which cannot be reasonably allocated to those specific functions, such as:

- 1) maintenance and operation of common-use vehicles, general equipment, buildings, yards, workshops, garages, etc.
- 2) general transportation administration
- 3) engineering services.

Roads, Streets, Walks, Lighting

This function should be used to report activities which provide for roads, streets, walks and lighting, including:

- 1) roads
- 2) streets
- 3) medians
- 4) boulevards
- 5) sidewalks
- 6) street lighting
- 7) street signs
- 8) traffic signals
- 9) railway crossing signals
- 10) public parking facilities.

Airport

This function should be used to report activities related to air transportation services.

Public Transit

This function should be used to report activities related to public transit systems, including:

- 1) light-rail transit
- 2) scheduled buses
- 3) transit vehicles
- 4) rail lines
- 5) trolley wires
- 6) service buildings
- 7) garages.

Handi-buses or senior citizen transportation are not included in this definition, and should be reported under the Transportation - Other function.

Storm Sewers and Drainage

This function should be used to report activities, which provide for storm sewer and drainage facilities.

Other Transportation

This function should be used to report transportation activities, which do not fall within the transportation functions, defined above.

15.5. Environmental Use and Protection

This category of functions should be used to report activities which provide environmentally regulated utility services, but excluding gas, power, and telephone utilities.

Water Supply and Distribution

This function should be used to report activities related to acquiring, treating and supplying water, including:

- 1) acquisition of water supply through wells, lakes, rivers
- 2) purchase of water supply from an adjoining jurisdiction, regional services commission, or other authority
- 3) purification and treatment
- 4) transmission and distribution, including operation and maintenance of facilities and lines.

Wastewater Treatment and Disposal

This function should be used to report activities related to the collection or removal, treatment, and disposal of sanitary sewage, including:

- 1) sanitary sewers and combined sanitary-storm sewers
- 2) lagoons
- 3) plant and equipment
- 4) public comfort stations
- 5) catch basins
- 6) man holes
- 7) booster stations
- 8) reclamation of sludge areas for lagoons or treatment plants.

Waste Management

This function should be used to report activities related to the collection of garbage and other waste material, as well as the maintenance and operation of sanitary landfill sites, incinerators or other plants, trucks and other equipment used for collection and disposal, and solid waste landfill closure and post-closure costs allocated to the current year.

Other Environmental Use and Protection

This function should be used to report environmental use and protection activities, which do not fall within the environmental use and protection functions defined above.

15.6. Public Health and Welfare Services

This category of functions should be used to report activities which provide assistance to disadvantaged individuals and which promote the health of individuals.

Family and Community Support Services

This function should be used to report activities which foster and promote the health and well being of its' citizens, including:

- 1) family counselling
- 2) parent and child development
- 3) alcohol and drug abuse programs
- 4) youth and seniors' drop in centres
- 5) after school care for school aged children.

Day Care

This function should be used to report activities related to a municipally owned and operated day care service established for preschool aged children, including:

- 1) day care centers or homes
- 2) parent and child development
- 3) supervision and support for home care services
- 4) support provided by the municipality to other authorities or to private day care operators.

Cemeteries and Crematoriums

This function should be used to report activities related to a municipal cemetery or crematorium.

Other Public Health and Welfare

This function should be used to report public health and welfare activities which do not fall within the public health and welfare functions defined above, including:

- 1) support and care for indigents
- 2) support for medical practitioners or dentists to ensure residence and practice in the municipality.

15.7. Planning and Development

This category of functions should be used to report activities which support and control the municipality's physical and economic development.

Land Use Planning, Zoning and Development

This function should be used to report activities related to land use planning, zoning and development, including:

- 1) municipal planning commission
- 2) subdivision and development appeal board
- 3) development officer, planning office or planning services
- 4) research or studies involving planning and zoning for the municipality
- 5) economic development projects funded wholly or partly by the municipality.

Economic/Agricultural Development

This function should be used to report activities which enhance local economic and agricultural development, including:

- 1) facilities for conventions
- 2) tourism promotion
- 3) transportation services to seniors, the disabled and the handicapped
- 4) agricultural field services
- 5) control of pests
- 6) soil, weed and crops services
- 7) protection and care of domestic animals
- 8) horticultural development relating to the improvement of homes and farmsteads
- 9) seed cleaning plants.

Subdivision Land and Development

This function should be used to report activities related to the development of land and infrastructure for use by the municipality or for resale, including:

- 1) acquisition, development and sale of land inventory held for resale
- 2) construction of infrastructure which will ultimately become capital property of the municipality

- 3) receipt and use of cash-in-lieu of reserve land and proceeds from the sale of reserve land.

Public Housing Operations

This function should be used to report activities which provide for low-cost and other public municipal housing to individuals and families. These activities are normally under the auspices of a municipal housing authority.

Land, Housing and Building Rentals

This function should be used to report activities related to municipally-owned land and facilities which are rented or leased to an individual or organization.

Other Planning and Development

This function should be used to report planning and development activities which do not fall within the planning and development functions defined above.

15.8. Recreation and Culture

This category of functions should be used to report activities which provide recreational and cultural services.

Recreation Boards

This function should be used to report activities related to municipal recreation boards.

Activities related to recreation programming and operations, as opposed to governance provided by the board itself, should be reported in the Parks and Recreation function.

Parks and Recreation

This function should be used to report activities which provide for parks and recreation facilities and related programs, including:

- 1) swimming pools
- 2) beaches
- 3) golf courses
- 4) skating rinks
- 5) curling rinks
- 6) ski areas
- 7) baseball diamonds
- 8) sports fields
- 9) gymnasiums
- 10) community parks and trails.

Culture: Libraries, Museums, Halls

This function should be used to report activities which provide for cultural facilities and related programs, including:

- 1) libraries
- 2) museums
- 3) community halls
- 4) performing arts theatres.

Convention Centre

This function should be used to report activities which provide for convention centre facilities and related programs.

Other Recreation and Culture

This function should be used to report recreation and culture activities which do not fall within the recreation and culture functions defined above.

15.9. Other Utility Functions

This category of functions should be used to report activities which provide gas or electric utility services.

Gas Utilities

This function should be used to report activities related to gas utility facilities and services.

Electric Utilities

This function should be used to report activities related to electric utility facilities and services.

15.10. Other

This function should be used to report activities which do not fall within the function categories defined above.

16. Application of Accounting Policies to Specific Items

16.1. Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

PS 3410 should be applied in accounting for grants received by municipalities from federal, provincial, or other local governments.

In the Financial Information Return and this guide, the term "government transfer" is used to refer to grants or entitlements of money from a government to an individual, an organization or another government for which the government making the grant does not:

- 1) receive any goods or services directly in return;
- 2) expect to be repaid in the future; or
- 3) expect a financial return.

16.2. Interest on Long Term Debt

Interest on long term debt should be reported on an accrual basis.

16.3. Pension Costs and Obligations

For purposes of reporting on the Local Authorities Pension Plan and other multi-employer defined benefit, pension plans, PS 1200.040 applies. It emphasizes the need to account for all liabilities, including employee pension obligations. PS 3250 provides the general principles governing the accounting for employee pension obligations in government financial statements. Accounting guideline PSG-1 provides further guidance in reporting for employee pension obligations for local governments.

16.4. Investments

Investments should be reported at cost. Investment premiums and discounts should be amortized proportionately over the term of the respective investments. Where there has been a loss in value that is other than a temporary decline, the respective investment should be written down to recognize the loss.

16.5. Inventories

Inventories of materials and supplies should be reported at the lower of cost or net realizable value.

16.6. Inventory of Land Held for Resale

Land held for resale should be reported on line 0140 of schedule 9A.

Land inventories should be valued at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and levelling charges.

Related development costs incurred to provide infrastructure, such as water and wastewater services, roads, sidewalks, and street lighting, should be reported as capital property, and should not be included in inventory.

Proceeds on the sale or disposal of land held for resale should be reported as a "Sales and User Charges" operating revenue on line 1800 (9D) and as operating revenue of the Planning and Development - Subdivision Land and Development function on line 1030 (9C).

16.7. Funds Received Relating to Reserve Land

Sections 664 and 666 of the *MGA* provide that an owner of land that is proposed for subdivision may be required to dedicate reserve lands. Section 666 allows the subdivision authority to alternatively require the developer to provide money in place of municipal reserve land. Section 671 of the Act provides that municipal or school reserve land and money in place of this reserve land may only be used for a public park, public recreation area, school authority purposes or to separate areas of land that are used for different purposes. Money in place of municipal or school reserve land must be accounted for separately.

Sections 674 and 675 of the Act allow the municipality to sell, lease or otherwise dispose of municipal or school reserve land. Section 676 of the Act allows for the lease or disposal of environmental reserve land for a term less than 3 years. Proceeds from the disposal of reserves must be used for a public park, public recreation area, school authority purposes or to separate areas of land that are used for different purposes.

Proceeds from money in place of municipal or school reserve land and disposal of reserve land should initially be recorded as "Other Revenue" on line 1970 (9D) and as revenue of the Subdivision and Land Development function on line 1030 of the Financial Activities by Function (9C).

The proceeds will become a part of the Accumulated Surplus and should then be designated as "Restricted" on line 0511, column 2 of 9B.

16.8. Capital Grants and Tangible Capital Assets

The term “capital” may be defined differently by a municipality than an external agency. Definitions of capital and operating transfers vary between senior government programs and departments. A provincial ministry may provide a grant for “capital” that does not meet the municipal definition of a tangible capital asset.

Municipalities need to ensure that financial information is adequately managed to meet grant compliance reporting criteria.

The definition of a tangible capital asset is consistent for all municipalities based on the requirements of PS3150. Decisions about whether or not to capitalize a purchase will depend on the policy that has been adopted by the municipality. The determining factor in the accounting treatment of a purchase made by a municipality will be the capitalization threshold that has been established. Eligibility under a grant program does not have any bearing on the accounting treatment.

16.9. Debt Charges Recoverable

In some cases, a portion of the municipality's debt servicing costs may be recoverable from other local governments or agencies pursuant to annexation orders or joint capital undertakings. Amounts which are recoverable in respect of unmatured long term debt should be reported as “Debt Charges Recoverable” on line 0095 of 9A.

Amounts recovered in the reporting year in respect of long term debt interest charges should be reported on 9C and 9D as "Other Revenues".

16.10. Local Improvement Tax Revenue

Construction and borrowing costs associated with local improvement projects are generally recovered through local improvement taxes, which are levied over a period of time.

PS 3510 Tax Revenue provides that “... *taxes should be recognized as assets and revenue when:*

1. *they meet the definition of an asset;*
2. *they are authorized; and*
3. *the taxable event occurs ... “*

Local improvement revenues should be recognized by establishing an account receivable and accruing the estimated revenues. The receivable will decrease over time as the taxes are collected. Given the long term nature of a local improvement, municipalities will need to consider the time value of money when these transactions are recorded.

16.11. Allowances for Assets

For reporting purposes, allowances for asset valuations should be netted against the related asset. In the case of allowances on taxes and grants in place receivable, the allowance should be reported separately as a negative amount on line 0060 of the Financial Position (9A).

Both increases and decreases in allowances should be reported as a net expense on line 2040 of 9D and should be included in expenses on 9C. Net recoveries of allowances (credit amounts in the general ledger) should be reported as negative expense amounts.

16.12. Excess Collections and Under-levies

Excess collections and under-levies arise from the difference between the actual levy made to cover each requisition (excluding allowances for costs associated with collecting the tax and non-payment of the tax as provided in the *MGA* section 359(2)) and the actual amount requisitioned.

If the actual levy exceeds the requisition, the excess collection is accrued as an "Other Current Liabilities" on line 0360 of the Financial Position (9A) and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as an "Other Current Assets" on line 0230 of the Financial Position (9A) and as property tax revenue on 9K.

Requisition tax rates in any year must be adjusted for any excess collections or under-levies of the prior year in accordance with the *MGA* subsection 359(3). Accordingly, amounts reported as "Other Current Liabilities" in the prior year's Financial Position (9A) in respect of excess collections of that year should be reversed out in the current year and reported as an "Adjustment to Requisition Transfer" on line 4110 of the Property Taxes and Grants in Place (9K). Amounts reported as "Other Current Assets" in the prior year's Financial Position (9A) in respect of under-levies of that year should be reversed out in the current year and reported as an "Adjustments to Requisition Transfers" on line 4110 of the Property Taxes and Grants in Place (9K).

16.13. Internal Cost and Revenue Allocations

Internal transactions between functions should not be included in the revenues and expenses reported in the financial activities schedules, 9C and 9D.

Where costs are accumulated under one operating function (the source function) in the general ledger and subsequently allocated to other operating functions (the destination function), the expense in the source function should be reported net of any recovery from the destination function. For instance, where equipment pool costs are initially recorded in the "Common and Equipment Pool" function and are then fully allocated to the "Road" and "Storm Sewer" functions based on equipment utilization, the costs should be reported only in the "Road" and "Storm Sewer" functions and not in the "Common and Equipment Pool" function.

16.14. Property Acquired Through Tax Recovery

Where taxes are in arrears and a tax recovery notification has been placed on the taxable property, the outstanding taxes and costs should continue to be reported as "Taxes and Grants in Place Receivable - Arrears" on line 0050 of the Financial Position (9A).

The arrears balance should be cleared only when the tax recovery property has been sold, either at a public auction or pursuant to section 425(1) of the *MGA*, and the proceeds are applied to the outstanding arrears pursuant to section 427 of the *MGA*. Until that time, adequate allowances should be reported as a negative "Taxes and Grants in Place Receivable - Allowances" amount on line 0060 of the Financial Position (9A) to the extent that the arrears amount exceeds the estimated recoverable amount.

Tax recovery property should only be reclassified as an inventory or capital property of the municipality if the municipality has purchased the property pursuant to section 424 of the *MGA*.

16.15. Trusts Under Administration

PS 1300.40 requires that trusts under the administration of a municipality be excluded from the reporting entity. Accordingly, trust fund balances and transactions should not be reported in the Financial Information Return.

In this context, the term "trust" refers to property, which has been conveyed or assigned to the municipality to be administered as directed by agreement or statute. It does not refer to internal allocations or designations of assets to a specific purpose by the municipality; the term "reserve" is used to refer to these types of internal allocations in this guide.

16.16. Reporting Entities

The Financial Information Return should include the financial data of the municipality as well as any boards, committees or organizations that are accountable to the municipality and are owned or controlled by the municipality, except for government business enterprises. PS 1300.28 to 1300.31 should be applied in determining whether or not an organization should be accounted for.

In the case of a government business enterprise, the modified equity method of accounting should be applied (PS 3070).

According to section PS 1300.28 a government business enterprise has the following characteristics:

- 1) it is a separate legal entity, that can enter into its own contracts and can sue or be sued;
- 2) it has been delegated the financial and operational authority to carry on business;
- 3) it sells goods and services to parties primarily outside of its principal activity; and
- 4) it can maintain its operations and meet its liabilities from revenues received from outside the reporting entity, as a normal course of its operations.

16.17. Constructing Tangible Capital Assets with Municipal Forces

PS 3150.10 identifies the costs to be included in the total cost of the tangible capital asset. When a municipality constructs all or part of a tangible capital asset using their own personnel and equipment these costs should be identified and allocated to the appropriate tangible capital asset. It is important that the same type of costs are consistently recorded whether the asset was constructed by the private sector under contract or by the municipality using its own forces.

Municipalities generally use either a project costing system or include the costs with other operating costs. The impact on financial reporting will vary for each method.

Project costing system:

Municipalities that use project costing systems should review how and what costs are collected to meet the requirements of PS 3150.

Internal financial reporting throughout the fiscal year can include tangible capital asset costs so that actual to budget comparisons can be tracked. Prior to the year end the relevant project costs will need to be transferred to the tangible capital asset. This can be done monthly, quarterly or at the end of the fiscal year. The specific project may be cleared to zero with a corresponding amount of the total project recorded as a tangible capital asset. Another approach would be to leave the costs in the project costing accounts and create a credit entry to the project costing system that would be the total of all project costs in the fiscal year pertaining to tangible capital assets.

Costs are included with operating costs:

Costs pertaining to a tangible capital asset need to be identified and removed from the operating expense total.

Prior to year end the tangible capital asset costs will need to be removed and recorded as a tangible capital asset. The journal entry will be to debit the tangible capital asset account and credit the operating expenses. The credit entry could be to the specific expense accounts or to a separate account in the expense section of the General Ledger called 'Tangible Capital Asset Costs'. If separate accounts are used, an account will need to be created in each of the major expense categories to complete the Financial Information Return.

The following example demonstrates this requirement:

DR Tangible Capital Asset	\$100,000	
CR Personnel – TCA costs		\$40,000
CR Contracted Services – TCA costs		\$23,000
CR Goods & Materials – TCA costs		\$37,000

17. Audit Requirements

17.1. General

Under section 278 of the *MGA*, an auditor's report on the financial information return must be sent to the Minister along with the return.

The appointment of the auditor can be made at any time during the year.

Under the legislation governing audits in Alberta, only a Chartered Professional Accountant can perform an audit on a fee for service basis.

Section 280 specifies that the auditor of a municipality must not be a councillor or employee of the municipality or of a controlled corporation. This would preclude the use of an internal auditor to sign the report; however, the external auditor may be prepared to rely on the work of the internal auditor in accordance with professional standards and thereby minimize the costs associated with the work of the external auditor.

Because the Financial Information Return does not constitute a financial statement (due to the absence of note disclosure, comparative amounts, etc.), it will fall under the definition of a special report as outlined in CICA Handbook section 5805. It is suggested that the audit report refer to the guidelines for preparation of the financial reports (being this manual) as the basis for the accounting policies used.

17.2. Suggested Audit Report Wording

AUDITOR'S REPORT FINANCIAL INFORMATION RETURN

To the Mayor/Reeve and Council of the (Municipality) of _____

Report on the Municipal Financial Information Return

I have audited the accompanying municipal financial information return of the Municipality of _____ for the year ended December 31, 20____.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the municipal financial information return. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, this financial information return presents fairly, in all material respects, the financial position of the municipality as at December 31, 20__ and the results of its operations for the year then ended in accordance with Canadian public sector accounting standards.

It is understood that this report, as requested by the Minister of Alberta Municipal Affairs, is to be used primarily for statistical purposes. We have issued an audit report dated February 20, 201x on the financial statements of the Town of New Sampleford for the year ended December 31, 201x and reference should be made to those audited financial statements for complete information.

[City]
[Date]

[Signed]
[Firm Name]

18. Reporting to Alberta Municipal Affairs

The *Municipal Government Act* requires that each municipality prepare annual audited financial statements and a financial information return. Both reports should be returned to Alberta Municipal Affairs by May 1 of each year.

Section 605 of the *MGA* gives the Minister authority to extend filing deadlines. If the filing deadline of May 1 cannot be met, a request to extend it should be sent in writing to Alberta Municipal Affairs. The request should describe the reason for the extension and propose an alternate reporting date.

A signed and dated copy of the annual audited financial statements, including the auditors' report, should be e-mailed to lgs.update@gov.ab.ca. Alternatively, the package can be mailed to:

Alberta Municipal Affairs
Municipal Services Branch
17th Floor, Commerce Place
10155 - 102 Street NW
Edmonton, Alberta T5J 4L4

A signed and dated copy of the Financial Information Return, including the auditors' report, should be scanned and sent to lgs.update@gov.ab.ca. As well, please submit the completed excel template electronically for downloading.

For further information or assistance please contact Financial Advisory Services at 780 427-2225, toll free in Alberta by dialling 310-0000.