

VILLAGE OF CARMANGAY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

VILLAGE OF CARMANGAY

DECEMBER 31, 2016

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Scase & Partners

Professional Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL VILLAGE OF CARMANGAY

We have audited the accompanying financial statements of Village of Carmangay, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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

Our 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 consolidated financial statements. 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 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 our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Village of Carmangay as at December 31, 2016, the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 16, 2017
Calgary, Alberta

A handwritten signature in black ink that reads "Scase & Partners". The signature is written in a cursive, flowing style.

Professional Accountants

VILLAGE OF CARMANGAY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 386,470	\$ 934,147
Receivables:		
Taxes and grants in lieu receivable (Note 3)	73,237	94,701
Trade and other receivables	26,830	26,176
Due from other governments - GST	55,492	15,022
	542,029	1,070,046
LIABILITIES		
Accounts payable and accrued liabilities	17,725	15,486
Deferred revenue (Note 6)	286,214	821,655
Deposit liabilities (Note 6)	6,751	11,434
Long term debt (Note 5)	-	9,350
	310,690	857,925
NET FINANCIAL ASSETS (DEBT)	231,339	212,121
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4, Schedule 2)	2,909,632	2,338,080
Prepaid expenses	7,002	7,002
	2,916,634	2,345,082
ACCUMULATED SURPLUS (Schedule 1, Note 10)	\$ 3,147,973	\$ 2,557,203

APPROVED:

_____ **Mayor**

_____ **Councillor**

VILLAGE OF CARMANGAY

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED December 31, 2016

	BUDGET (Unaudited)	2016	2015
REVENUE			
Net municipal taxes (Schedule 3)	\$ 222,140	\$ 230,691	\$ 221,092
User fees and sales	223,766	151,540	140,624
Government transfers (Schedule 4)	38,168	36,668	41,446
Investment income	408	4,008	4,734
Penalties and costs of taxes	50,807	17,556	22,154
Licences and permits	1,225	1,375	1,250
Other	-	31,345	28,445
Franchise and concession contracts	11,000	12,613	10,266
Fines	-	-	1,183
Rentals	4,501	4,447	8,593
Net gain on sale of capital assets	-	23,919	-
	552,015	514,162	479,787
EXPENSES			
Legislative	23,500	23,043	20,502
Administration	158,000	158,474	139,186
Fire and disaster	16,184	18,455	455
Ambulance	-	1,994	2,794
Bylaws enforcement	3,500	3,505	765
Common service	-	44,647	36,631
Roads, streets, walks, lighting	68,800	80,636	58,293
Water supply and distribution	163,841	205,894	173,763
Wastewater treatment and disposal	23,000	60,486	60,168
Waste management	55,212	54,231	52,736
Family and community support	1,678	1,825	1,709
Land use, planning, zoning and development	-	420	750
Subdivision land development	-	4,345	4,073
Cemeteries	2,000	1,340	536
Parks and recreation	23,650	32,963	23,140
Culture	2,921	4,076	4,065
	542,286	696,334	579,566
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	9,729	(182,172)	(99,779)
OTHER			
Government transfers for capital (Schedule 4)		772,942	101,659
Contributed assets			11,246
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	9,729	590,770	13,126
ACCUMULATED SURPLUS, beginning of year	2,129,458	2,557,203	2,544,077
ACCUMULATED SURPLUS, end of year	\$ 2,139,187	\$ 3,147,973	\$ 2,557,203

The accompanying notes form an integral part of these financial statements

VILLAGE OF CARMANGAY

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED December 31, 2016

	BUDGET	2016	2015
	(Unaudited)		
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 9,729	\$ 590,770	\$ 13,126
Acquisition of tangible capital assets	-	(724,762)	(88,381)
Contributed tangible capital assets	-	-	(11,246)
Proceeds on disposal of tangible capital assets	-	42,970	-
Amortization of tangible capital assets	-	134,969	126,995
(Gain) loss on sale of tangible capital assets	-	(24,731)	-
	-	(571,554)	27,368
Acquisition of prepaid assets	-	(7,002)	(7,002)
Use of prepaid assets	-	7,004	7,001
	-	2	(1)
(INCREASE) DECREASE IN NET DEBT	9,729	19,218	40,493
NET FINANCIAL ASSETS (DEBT), beginning of year	277,123	212,121	171,628
NET FINANCIAL ASSETS (DEBT), end of year	\$ 286,852	\$ 231,339	\$ 212,121

The accompanying notes form an integral part of these financial statements

VILLAGE OF CARMANGAY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED December 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ 590,770	\$ 13,126
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	134,969	126,995
(Gain) loss on disposal of tangible capital assets	(24,731)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	21,464	(32,292)
Decrease (increase) in trade and other receivables	(654)	(1,167)
Decrease (increase) in due from other gov't receivables	(40,470)	(7,951)
Increase (decrease) in deposit liabilities	(4,683)	6,724
Increase (decrease) in accounts payable and accrued liabilities	2,240	8,177
Increase (decrease) in deferred revenue	(535,441)	239,380
CASH PROVIDED BY OPERATING TRANSACTIONS	143,464	352,992
CAPITAL		
Acquisition of tangible capital assets	(724,762)	(99,627)
Sale of tangible capital assets	42,970	-
CASH APPLIED TO CAPITAL TRANSACTIONS	(681,792)	(99,627)
FINANCING		
Long-term debt repaid	(9,350)	(9,301)
CASH APPLIED TO FINANCING TRANSACTIONS	(9,350)	(9,301)
CHANGE IN CASH AND CASH EQUIVALENTS	(547,678)	244,064
CASH AND CASH EQUIVALENTS, beginning of year	934,148	690,084
CASH AND CASH EQUIVALENTS, end of year	\$ 386,470	\$ 934,148
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	\$ 386,470	\$ 934,147
Restricted portion of cash and temporary investments (Note 2)	(359,650)	(899,774)
	\$ 26,820	\$ 34,373
INTEREST PAID ON LONG-TERM DEBT	\$ 156	\$ 425

The accompanying notes form an integral part of these financial statements

VILLAGE OF CARMANGAY

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED December 31, 2016

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE , beginning of year	\$ 161,789	\$ 66,685	\$ 2,328,729	\$ 2,557,203	\$ 2,544,077
Excess (deficiency) of revenues over expenses	590,770	-	-	590,770	13,126
Current year funds used for tangible capital assets	(724,762)	-	724,762	-	-
Disposal of tangible capital assets	18,239	-	(18,239)	-	-
Annual amortization expense	134,969	-	(134,969)	-	-
Long term debt repaid	(9,350)	-	9,350	-	-
Change in accumulated surplus	9,866	-	580,904	590,770	13,126
BALANCE , end of year	\$ 171,655	\$ 66,685	\$ 2,909,633	\$ 3,147,973	\$ 2,557,203

VILLAGE OF CARMANGAY

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED December 31, 2016

SCHEDULE 2

	ENGINEERED STRUCTURES							2016	2015
	LAND	BUILDINGS LAND IMPROVEMENTS	ROADS AND STREETS	WATER SYSTEM	WASTE SYSTEM	MACHINERY AND EQUIPMENT	VEHICLES		
COST:									
BALANCE, beginning of year	\$ 146,339	\$ 204,435	\$ 1,526,823	\$ 1,218,293	\$ 2,173,581	\$ 265,015	\$ 37,345	\$ 5,571,831	\$ 5,472,204
Acquisition of tangible capital assets	-	-	195,895	310,488	218,379	-	-	724,762	99,627
Disposal of tangible capital assets	-	(16,082)	(10,046)	(11,862)	(7,026)	-	-	(45,016)	-
BALANCE, end of year	146,339	188,353	1,712,672	1,516,919	2,384,934	265,015	37,345	6,251,577	5,571,831
ACCUMULATED AMORTIZATION:									
BALANCE, beginning of year	-	56,879	1,024,677	428,770	1,593,896	98,322	31,208	3,233,752	3,106,757
Annual amortization	-	5,296	32,136	15,646	42,471	10,069	2,575	108,193	126,995
Accumulated amortization on disposals	-	(804)	(10,046)	(10,043)	(5,884)	-	-	(26,777)	-
BALANCE, end of year	-	62,175	1,056,813	444,416	1,636,367	108,391	33,783	3,341,945	3,233,752
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 146,339	\$ 126,178	\$ 655,859	\$ 1,072,503	\$ 748,567	\$ 156,624	\$ 3,562	\$ 2,909,632	\$ 2,338,079
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 146,339	\$ 147,556	\$ 502,146	\$ 789,523	\$ 579,685	\$ 166,693	\$ 6,137	\$ 2,338,079	

VILLAGE OF CARMANGAY

SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED December 31, 2016

SCHEDULE 3

	BUDGET (Unaudited)	2016	2015
TAXATION			
Real property taxes	\$ 260,264	\$ 256,815	\$ 252,018
Special assessments and local improvement taxes	13,000	25,000	23,550
	273,264	281,815	275,568
REQUISITIONS			
Alberta School Foundation Fund	48,612	48,612	51,278
Seniors Lodge	2,512	2,512	3,198
	51,124	51,124	54,476
NET MUNICIPAL TAXES	\$ 222,140	\$ 230,691	\$ 221,092

VILLAGE OF CARMANGAY

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED December 31, 2016

SCHEDULE 4

	BUDGET (Unaudited)	2016	2015
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 38,168	\$ 36,668	\$ 41,446
	38,168	36,668	41,446
TRANSFERS FOR CAPITAL:			
Provincial Government	-	772,942	101,659
	-	772,942	101,659
TOTAL GOVERNMENT TRANSFERS	\$ 38,168	\$ 809,610	\$ 143,105

VILLAGE OF CARMANGAY

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED December 31, 2016

SCHEDULE 5

	BUDGET (Unaudited)	2016	2015
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	\$ 196,306	\$ 152,940	\$ 124,618
Contracted and general services	154,360	235,199	172,626
Materials, goods and utilities	128,524	157,559	139,752
Transfers to local boards and agencies	22,883	13,959	13,711
Interest on long-term debt	400	156	425
Purchases from other governments	37,612	-	-
Amortization of tangible capital assets	-	134,969	126,995
Bank charges and short-term interest	2,200	1,552	1,439
	\$ 542,285	\$ 696,334	\$ 579,566

VILLAGE OF CARMANGAY

SCHEDULE OF SEGMENTED DISCLOSURE

FOR THE YEAR ENDED December 31, 2016

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 230,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,691
Government transfers	36,668	-	195,895	-	-	577,047	-	809,610
User fees and sales of goods	14,800	-	250	100	6,825	128,915	650	151,540
Investment income	4,008	-	-	-	-	-	-	4,008
Other revenues	87,680	875	2,200	500	-	-	-	91,255
	<u>373,847</u>	<u>875</u>	<u>198,345</u>	<u>600</u>	<u>6,825</u>	<u>705,962</u>	<u>650</u>	<u>1,287,104</u>
EXPENSES								
Contract & general services	74,111	21,505	7,010	4,765	10,791	117,018	-	235,200
Salaries and wages	86,363	-	20,040	-	14,524	30,672	1,340	152,939
Goods and supplies	14,092	-	46,896	-	1,881	94,690	-	157,559
Transfers to local boards	6,943	1,994	-	-	5,021	-	-	13,958
Long-term debt interest	156	-	-	-	-	-	-	156
Other expenses	1,553	-	-	-	-	-	-	1,553
	<u>183,218</u>	<u>23,499</u>	<u>73,946</u>	<u>4,765</u>	<u>32,217</u>	<u>242,380</u>	<u>1,340</u>	<u>561,365</u>
NET REVENUE BEFORE								
AMORTIZATION	190,629	(22,624)	124,399	(4,165)	(25,392)	463,582	(690)	725,739
Amortization Expense	126	455	51,336	-	4,822	78,230	-	134,969
NET REVENUE	<u>\$ 190,503</u>	<u>\$ (23,079)</u>	<u>\$ 73,063</u>	<u>\$ (4,165)</u>	<u>\$ (30,214)</u>	<u>\$ 385,352</u>	<u>\$ (690)</u>	<u>\$ 590,770</u>

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Carmangay are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting Entity

The financial statements consist of tax supported and self-supporting activities or entities whose operations and assets are under the control of the municipal council.

The schedule of taxes levied also includes operating requisitions for many educational, health care, social and other external organization that are not controlled by the municipal council.

The statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of accounting

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

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

Government transfers, contributions, and other amounts are received from third parties pursuant to legislation, regulation, or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) 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 consolidated financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Investments

Investments are recorded at cost. Investment premiums and discounts are amortized proportionately over the term of the respective investment.

(e) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provided the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which included all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land Improvements	15-20 years
Buildings	25-50 years
Engineered Structures	
Water System	35-65 years
Wastewater system	35-65 years
Other engineered structures	15-40 years
Machinery and equipment	5-20 years
Vehicles	3-20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the assets if available for productive use.

ii. Contributions of Tangible Capital Assets

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

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Taxes and Grants in Lieu Receivable

Taxes and grants in lieu receivable consist of current tax levies which remain outstanding at December 31, 2016.

(g) Inventories

Inventories of materials and supplies are valued at cost.

Land held for resale is recorded at cost. Cost included 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 their respective functions. When land is sold the inventory balance is reduced with an offsetting adjustment to equity in physical assets.

(h) Reserves for Future Expenditures

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

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

(j) Certain balances may not add due to formula rounding.

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

2. CASH AND TEMPORARY INVESTMENTS

	<u>2016</u>	<u>2015</u>
Cash	\$ 104,241	\$ 373,075
Investments - cash equivalents	<u>282,229</u>	<u>561,072</u>
	<u>\$ 386,470</u>	<u>\$ 934,147</u>
Restricted cash		
Restricted surplus	\$ 66,685	\$ 66,685
Deferred revenue	286,214	821,655
Deposits	<u>6,751</u>	<u>11,434</u>
	<u>\$ 359,650</u>	<u>\$ 899,774</u>

Temporary investments are short term deposits with maturities within the normal operating cycle (fiscal year) of the municipality.

Non-current investments are term deposits with maturities exceeding the normal operating cycle (fiscal year) of the municipality.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2016</u>	<u>2015</u>
Current taxes and grants in place of taxes	\$ 52,605	\$ 64,474
Arrears taxes	<u>20,632</u>	<u>30,227</u>
	73,237	94,701
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 73,237</u>	<u>\$ 94,701</u>

4. TANGIBLE CAPITAL ASSETS

NET BOOK VALUE	<u>2016</u>	<u>2015</u>
Land	\$ 146,339	\$ 146,339
Land Improvements	43,138	46,529
Buildings	83,039	101,026
Engineered Structures		
Roadway system	655,859	502,146
Water distribution system	1,072,503	789,523
Wastewater treatment system	748,567	579,685
Machinery, equipment and furnishings	156,624	166,694
Vehicles	<u>3,563</u>	<u>6,138</u>
	<u>\$ 2,909,632</u>	<u>\$ 2,338,080</u>

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

5. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Tax supported loan	\$ <u>-</u>	\$ <u>9,350</u>
Current Portion	\$ <u>-</u>	\$ <u>9,350</u>

Loan due to ATB Financial was paid out in 2016.

6. DEFERRED REVENUE AND DEPOSIT LIABILITIES

	<u>2016</u>	<u>2015</u>
Deposits		
Playground donations	\$	\$ 6,058
Water deposits	1,087	1,087
Tax prepayments	4,401	3,520
Water prepayments	<u>1,263</u>	<u>770</u>
	6,751	11,435
Infrastructure Canada-Alberta programs	<u>286,214</u>	<u>821,655</u>
	<u>\$ 292,965</u>	<u>\$ 833,090</u>

7. SALARY AND BENEFITS DISCLOSURE

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

	<u>2016</u>			<u>2015</u>
	Salary (1)	Benefits and Allowances (2)	Total	Total
Mayor Nichols	5,403	2,759	8,162	\$ 6,959
Councilor Sabourin	2,295	869	3,164	5,828
Councilor Smidt	5,160	3,223	8,383	7,218
Stacey Hovde	840	125	965	
CAO	42,732	4,844	47,576	36,508

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (3) Benefits and allowance figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concession loans, travel allowances, car allowances and club memberships.

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

8. DEBT LIMITS

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

	<u>2016</u>	<u>2015</u>
Total debt limit	\$ 771,243	\$ 736,550
Total debt	<u>-</u>	<u>(9,350)</u>
Amount of debt limit (exceeded) unused	<u>\$ 771,243</u>	<u>\$ 727,200</u>
	<u>2016</u>	<u>2015</u>
Debt servicing limit	\$ 128,541	\$ 122,758
Debt servicing	<u>-</u>	<u>(9,525)</u>
Amount of debt servicing limit (exceeded) unused	<u>\$ 128,541</u>	<u>\$ 113,233</u>

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

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 2)	\$ 6,251,577	\$ 5,571,831
Accumulated amortization (Schedule 2)	<u>(3,341,945)</u>	<u>(3,233,752)</u>
	2,909,632	2,338,079
Long-term debt (Note 5)	<u>-</u>	<u>(9,350)</u>
	<u>\$ 2,909,632</u>	<u>\$ 2,328,729</u>

10. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ <u>171,655</u>	\$ <u>161,789</u>
Restricted surplus		
Capital reserve	19,911	19,911
Operating contingency	7,654	7,654
Assessment reserve	3,000	3,000
Garbage reserve	621	621
Water treatment reserve	5,499	5,499
Operating reserve	<u>30,000</u>	<u>30,000</u>
	<u>66,685</u>	<u>66,685</u>
Equity in tangible capital assets	<u>2,909,632</u>	<u>2,328,729</u>
	<u>\$ 3,147,972</u>	<u>\$ 2,557,203</u>

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The Village is required to make current service contributions to the LAPP of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 4.535% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2016 \$11,428 (2015 - \$8,770). Total current service contributions by the employees of the Village to the LAPP in 2016 were \$10,425 (2015 - \$8,000).

12. CONTINGENCIES

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

13. FINANCIAL INSTRUMENTS

The Village's financial instruments are initially recorded at fair market value and consist of cash and temporary investments, accounts receivable, accounts payable, deposit liabilities, accrued liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risk arising from these financial instruments.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimize the credit risk.

Unless otherwise noted, the stated of these financial instruments approximate fair value.

14. SEGMENTED DISCLOSURE

The Village of Carmangay 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.

VILLAGE OF CARMANGAY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED December 31, 2016

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

VILLAGE OF CARMANGAY

MANAGEMENT REPORT

The accompanying consolidated financial statements for the year ended December 31, 2016 and other information contained in this Financial Report are the responsibility of the management of the Village of Carmangay.

Management has prepared these consolidated financial statements. Consolidated financial statements are not precise since they include certain amounts based on estimated and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Village maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the Village's assets are properly accounted for and adequately safeguarded.

The elected Council of the Village of Carmangay is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Council meets regularly with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Council also approves the engagement or re-appointment of the external auditors. The Council reviews the financial reports.

The consolidated financial statements have been audited by Scase & Partners Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards, on behalf of Council, residents and ratepayers of the Village. Scase & Partners was given and had free access to Council.

Village of Carmangay

Mayor

Date