



*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA
*Eric A. Peterson, CPA, CA (Associate) *Robert J. Krejci, CA (Associate) *Barry D. Gitzel, CPA, CA (Associate)

VILLAGE OF DELBURNE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

VILLAGE OF DELBURNE

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

Village of Delburne

We have audited the accompanying financial statements of the Village of Delburne, which comprise the statement of financial position as at December 31, 2016, and the 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.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements present fairly, in all material respects, the financial position of the Village of Delburne as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 25, 2017


CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF DELBURNE
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 1,227,157	\$ 1,400,009
Taxes and grants in place of taxes receivable (Note 4)	126,481	100,544
Trade and other receivables	101,115	53,648
Local improvement taxes receivable	35,325	40,371
Due from other Government	207,542	36,993
Land held for resale	79,916	55,436
Long-term investments (Note 5)	<u>1,661</u>	<u>1,661</u>
	<u>1,779,197</u>	<u>1,688,662</u>
LIABILITIES		
Accounts payable and accrued liabilities	64,040	58,798
Deferred revenue (Note 6)	<u>465,566</u>	<u>631,205</u>
	<u>529,606</u>	<u>690,003</u>
NET FINANCIAL ASSETS (DEBT)	<u>1,249,591</u>	<u>998,659</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	7,495,793	6,991,817
Inventory for consumption	5,215	4,506
Prepaid expenses	<u>22,268</u>	<u>22,663</u>
	<u>7,523,276</u>	<u>7,018,986</u>
ACCUMULATED SURPLUS (Schedule 1)	\$ <u>8,772,867</u>	\$ <u>8,017,645</u>
CONTINGENCIES – Note 11		

APPROVED ON BEHALF OF THE VILLAGE COUNCIL:

R. Rockseidler Mayor

Darlene Dushanek Councillor

VILLAGE OF DELBURN

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
REVENUES			
Net taxes (Schedule 3)	\$ 730,114	\$ 721,068	\$ 708,389
Sales and user fees	533,672	527,943	527,776
Government transfers for operating (Schedule 4)	157,106	192,714	151,309
Investment income	8,415	10,989	7,292
Penalties and costs of taxes	22,087	17,580	21,201
Fines and costs	4,572	3,129	3,717
Licenses and permits	6,604	7,830	11,988
Franchise agreement	33,656	49,926	46,342
Other	73,397	128,352	476,196
Gain on disposal of tangible capital assets	49,100	2,450	10,210
Total Revenue	<u>1,618,723</u>	<u>1,661,981</u>	<u>1,964,420</u>
EXPENSES (Schedule 5)			
Legislative	80,770	68,407	76,789
Administration	362,732	331,438	339,216
Protective services	124,028	112,416	131,346
Transportation services	427,635	441,357	417,118
Water and wastewater	219,737	233,259	241,372
Waste management and recycling	125,705	120,726	112,591
Recreation and parks	220,208	249,060	239,272
Family and community support	125,412	119,155	127,517
Land use planning, zoning and development	82,327	89,870	80,420
Total Expenses	<u>1,768,554</u>	<u>1,765,688</u>	<u>1,765,641</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>(149,831)</u>	<u>(103,707)</u>	<u>198,779</u>
OTHER			
Government transfers for capital (Schedule 4)	<u>1,332,525</u>	<u>858,929</u>	<u>14,688</u>
	<u>1,332,525</u>	<u>858,929</u>	<u>14,688</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,182,694	755,222	213,467
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>8,017,645</u>	<u>8,017,645</u>	<u>7,804,178</u>
ACCUMULATED SURPLUS – END OF YEAR	\$ <u>9,200,339</u>	\$ <u>8,772,867</u>	\$ <u>8,017,645</u>

VILLAGE OF DELBURNE

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>755,222</u>	\$ <u>213,467</u>
Acquisition of tangible capital assets	(928,266)	(420,088)
Proceeds on disposal of tangible capital assets	49,001	50,676
Amortization of tangible capital assets	335,660	315,853
(Gain) loss on disposal of tangible capital assets	<u>39,629</u>	<u>(4,730)</u>
	<u>(503,976)</u>	<u>(58,289)</u>
Net use (acquisition) of supplies inventories	(709)	361
Net use (acquisition) of prepaid assets	<u>395</u>	<u>(5,560)</u>
	<u>(314)</u>	<u>(5,199)</u>
INCREASE (DECREASE) IN NET DEBT	250,932	149,979
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>998,659</u>	<u>848,680</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u>1,249,591</u>	\$ <u>998,659</u>

VILLAGE OF DELBURNE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 755,222	\$ 213,467
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	335,660	315,853
(Gain) loss on disposal of tangible capital assets	39,629	(4,730)
Non-cash changes to operations (net change)		
Taxes and grants in place of taxes receivables	(25,937)	20,268
Trade and other receivables	(47,467)	15,808
Local improvement taxes receivable	5,046	5,047
Due from other Government	(170,549)	(8,714)
Decrease (Increase) in inventory for consumption	(709)	361
Prepaid expenses	395	(5,560)
Land held for resale	(24,480)	28,362
Accounts payable and accrued liabilities	5,242	(50,483)
Deferred revenue	(165,639)	379,696
Net cash provided by (used in) operating activities	<u>706,413</u>	<u>909,375</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(928,266)	(420,088)
Proceeds from disposal of tangible capital assets	<u>49,001</u>	<u>50,676</u>
Net cash provided by (used in) capital activities	<u>(879,265)</u>	<u>(369,412)</u>
FINANCING ACTIVITIES		
Repayment of long term debt and capital leases	<u>-</u>	<u>(6,334)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>(6,334)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(172,852)	533,629
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,400,009</u>	<u>866,380</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note 3)	<u>1,227,157</u>	<u>1,400,009</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash	747,388	928,694
Guaranteed investment certificates	<u>479,769</u>	<u>471,315</u>
	<u>\$ 1,227,157</u>	<u>\$ 1,400,009</u>

VILLAGE OF DELBURNE

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted Surplus	Restricted Surplus	Restricted Equity in Tangible Capital Assets	2016	2015
BALANCE - BEGINNING OF YEAR	\$ 208,174	\$ 817,654	\$ 6,991,817	\$ 8,017,645	\$ 7,804,178
Excess (deficiency) of revenues over expenses	755,222	-	-	755,222	213,467
Unrestricted funds designated for future use	(2,029)	2,029	-	-	-
Restricted funds used for operations	49,040	(49,040)	-	-	-
Restricted funds used for tangible capital assets	-	(3,950)	3,950	-	-
Current year funds used for tangible capital assets	(924,316)	-	924,316	-	-
Disposal of tangible capital assets	88,629	-	(88,629)	-	-
Annual amortization expense	335,661	-	(335,661)	-	-
Change in accumulated surplus	302,207	(50,961)	503,976	755,222	213,467
BALANCE - END OF YEAR	\$ 510,381	\$ 766,693	\$ 7,495,793	\$ 8,772,867	\$ 8,017,645

VILLAGE OF DELBURN

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
COST:								
BALANCE - BEGINNING OF YEAR	\$ 251,527	\$ 1,191,557	\$ 1,083,142	\$ 7,940,205	\$ 945,119	\$ 147,061	\$ 11,558,611	\$ 11,195,751
Acquisition of tangible capital assets	5,710	-	8,840	848,006	61,900	-	924,456	405,400
Construction in progress	-	3,810	-	-	-	-	3,810	14,688
Disposal of tangible capital assets	-	-	-	(124,381)	(57,770)	-	(182,151)	(57,228)
BALANCE - END OF YEAR	<u>257,237</u>	<u>1,195,367</u>	<u>1,091,982</u>	<u>8,663,830</u>	<u>949,249</u>	<u>147,061</u>	<u>12,304,726</u>	<u>11,558,611</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	343,390	403,306	3,383,013	349,406	87,680	4,566,795	4,262,224
Annual amortization	-	76,065	22,091	173,336	54,082	10,086	335,660	315,853
Accumulated amortization on disposals	-	-	-	(82,302)	(11,220)	-	(93,522)	(11,282)
BALANCE - END OF YEAR	<u>-</u>	<u>419,455</u>	<u>425,397</u>	<u>3,474,047</u>	<u>392,268</u>	<u>97,766</u>	<u>4,808,933</u>	<u>4,566,795</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>257,237</u>	<u>775,912</u>	<u>666,585</u>	<u>5,189,783</u>	<u>556,981</u>	<u>49,295</u>	<u>7,495,793</u>	<u>6,991,816</u>
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 251,527</u>	<u>\$ 848,167</u>	<u>\$ 679,836</u>	<u>\$ 4,557,192</u>	<u>\$ 595,713</u>	<u>\$ 59,381</u>	<u>\$ 6,991,816</u>	

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS

2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS

VILLAGE OF DELBURNE

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	\$ 871,195	\$ 867,717	\$ 849,442
Linear property taxes	27,084	27,083	28,137
Government grants in place of property taxes	1,813	2,103	1,757
Special assessments	<u>46,952</u>	<u>41,095</u>	<u>40,416</u>
	<u>947,044</u>	<u>937,998</u>	<u>919,752</u>
REQUISITIONS			
Alberta School Foundation Fund	215,320	215,320	209,751
Autumn Glen Lodge	<u>1,610</u>	<u>1,610</u>	<u>1,612</u>
	<u>216,930</u>	<u>216,930</u>	<u>211,363</u>
NET MUNICIPAL TAXES	\$ <u>730,114</u>	\$ <u>721,068</u>	\$ <u>708,389</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
TRANSFER FOR OPERATING			
Federal government	\$ 4,267	\$ 7,920	\$ 6,391
Provincial government	51,064	73,635	45,868
Other local government	<u>101,775</u>	<u>111,159</u>	<u>99,050</u>
	<u>157,106</u>	<u>192,714</u>	<u>151,309</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>1,332,525</u>	<u>858,929</u>	<u>14,688</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>1,489,631</u>	\$ <u>1,051,643</u>	\$ <u>165,997</u>

VILLAGE OF DELBURNE

SCHEDULE 5 -EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
EXPENSES BY OBJECT			
Salaries, wages, and benefits	\$ 604,713	\$ 561,293	\$ 564,470
Contracted and general services	490,309	446,793	441,155
Materials, goods, supplies and utilities	268,306	226,783	272,297
Transfer to local agencies	100,831	97,254	106,663
Transfer to other governments	36,613	41,361	40,534
Bank charges and short-term interest	674	437	507
Interest on long term debt	-	-	187
Amortization of tangible capital assets	251,608	335,661	315,853
Other expenses	15,500	14,027	18,495
Loss on disposal of capital assets	-	42,079	5,480
	<u>\$ 1,768,554</u>	<u>\$ 1,765,688</u>	<u>\$ 1,765,641</u>

VILLAGE OF DELBURN

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
REVENUE							
Government transfers	\$ -	\$ 5,000	\$ 420,368	\$ 10,945	\$ 155,989	\$ 459,341	\$ 1,051,643
Net municipal taxes	679,973	-	-	-	41,095	-	721,068
User fees and sales of goods	2,478	98,143	-	29,362	31,170	366,790	527,943
Franchise agreements	49,926	-	-	-	-	-	49,926
Penalties and costs	17,580	-	-	-	-	-	17,580
Investment income	10,989	-	-	-	-	-	10,989
License and permits	4,660	3,170	-	-	-	-	7,830
Fines	555	-	-	-	-	2,574	3,129
Gain on disposal of tangible capital assets	-	-	2,450	-	-	-	2,450
Other revenues	24,911	2,000	-	17,685	83,752	4	128,352
	<u>791,072</u>	<u>108,313</u>	<u>422,818</u>	<u>57,992</u>	<u>312,006</u>	<u>828,709</u>	<u>2,520,910</u>
EXPENSES							
Salaries and wages	223,717	34,410	109,758	-	103,361	90,047	561,293
Contract and general services	113,302	31,876	72,616	22,514	77,295	129,190	446,793
Materials, goods and supplies	34,781	19,440	103,033	110	46,079	23,340	226,783
Transfers to local agencies	4,500	-	-	-	92,754	-	97,254
Transfer to other governments	-	12,174	-	-	29,187	-	41,361
Bank charges and short term interest	437	-	-	-	-	-	437
Other expenses	13,841	-	-	-	186	-	14,027
Loss on disposal of tangible capital assets	-	-	17,226	-	-	24,853	42,079
	<u>390,578</u>	<u>97,900</u>	<u>302,633</u>	<u>22,624</u>	<u>348,862</u>	<u>267,430</u>	<u>1,430,027</u>
NET REVENUE, BEFORE DEPRECIATION & AMORTIZATION	<u>400,494</u>	<u>10,413</u>	<u>120,185</u>	<u>35,368</u>	<u>(36,856)</u>	<u>561,279</u>	<u>1,090,883</u>
Amortization expense	9,269	14,515	138,725	-	86,598	86,554	335,661
NET REVENUE (Note 13)	<u>\$ 391,225</u>	<u>\$ (4,102)</u>	<u>\$ (18,540)</u>	<u>\$ 35,368</u>	<u>\$ (123,454)</u>	<u>\$ 474,725</u>	<u>\$ 755,222</u>

STANLEY & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Chartered Professional Accountants of Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

(b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

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

Realized and unrealized gains and losses are reported in the statement of operations.

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) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(d) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post – remediation including operation, maintenance and monitoring.

(e) 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.

(f) Taxes and Grants in Place of Taxes Receivable

Current and arrears taxes and grants in place of taxes receivable consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(g) Held-to-Maturity Financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A gain or loss is recognized in net income when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

(h) Land Held For Resale

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

(i) Interest on Long-Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and is accrued for as long-term debt interest payable at the end of the year.

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. The Village's financial instruments consist of cash, receivables, long-term investments, accounts payable and accrued liabilities, deferred revenue, long-term debt and capital lease obligations. It is management's opinion that the Village is not exposed to significant interest or currency risks arising from these financial statements. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values. Cash, short-term investments and long-term investments have been classified as held-to-maturity.

(k) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

(l) Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. When the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property taxes.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(m) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term liquid investments.

(n) Non-Financial Assets

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

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets

(i) Tangible Capital Assets

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

	YEARS
Land improvements	15 - 45
Buildings	25 - 50
Engineered structures	
Roadway system	5 - 40
Water system	45 - 60
Wastewater system	45 - 60
Storm system	45 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 25

The annual amortization charge in the year of acquisition and in the year of disposal is pro-rated based on the number of days that the asset was owned during the year. Assets under construction are not amortized until the asset is 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.

(iii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. Cost is determined by using the FIFO inventory costing method.

(iv) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases.

All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. The village is currently evaluating the effect of adopting these standards on their financial statements.

(a) Section PS 1201 - Financial Statement Presentation

This revised standard is effective in 2019, when sections PS 2601 and PS 3450 are adopted.

(b) Section PS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statement and is effective for fiscal years beginning on or after April 1, 2019.

(c) Section PS 3041 - Portfolio Investments

This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2019 fiscal year.

(d) Section PS 3450 - Financial Instruments

This section establishes standards on how to account for and report all types of financial instruments including derivatives. This standard is effective for fiscal years beginning on or after April 1, 2019.

3. CASH AND CASH EQUIVALENTS

	2016	2015
Cash	\$ 747,388	\$ 928,694
Guaranteed investment certificates	479,769	471,315
	<u>\$ 1,227,157</u>	<u>\$ 1,400,009</u>

Council has designated funds of \$766,693 (2015 - \$817,654) included in the above amounts as restricted surplus.

Included in cash is a restricted balance of \$374,132 (2015 - \$447,859) related to various deferred revenues (Note 6).

Guaranteed investment certificates mature at dates between April and September 2017 and earn interest at rates between 0.60% and 2.20% per annum.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Current taxes and grants in place of taxes	\$ 83,787	\$ 52,581
Arrears taxes	42,694	47,963
	126,481	100,544
Less: Allowance for uncollectible taxes	-	-
	<u>\$ 126,481</u>	<u>\$ 100,544</u>

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

5. LONG TERM INVESTMENTS

	2016	2015
UFA patronage account	\$ 1,651	\$ 1,651
A.M.F.C. shares, at cost	10	10
	<u>\$ 1,661</u>	<u>\$ 1,661</u>

6. DEFERRED REVENUE

	2016	2015
Municipal Sustainability Initiatives	\$ 273,291	\$ 432,821
Federal Gas Tax Fund	100,841	100,340
FCSS programs	46,641	41,381
City of Red Deer - FCSS	15,038	15,038
Prepaid property taxes	11,794	16,528
Human Rights Education & Multi Fund	10,000	-
Red Deer County -- Recreation Board	3,520	1,604
Other grants and programs	2,235	2,235
Prepaid utilities	1,771	2,378
Prepaid licenses	435	795
Land deposits	-	16,685
Friends of Delburne	-	1,400
	<u>\$ 465,566</u>	<u>\$ 631,205</u>

7. 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 municipality be disclosed as follows:

	2016	2015
Total debt limit	\$ 2,492,971	\$ 2,946,630
Total debt	-	-
Amount of debt limit (exceeded) available	<u>2,492,971</u>	<u>2,946,630</u>
Debt servicing limit	415,495	491,105
Debt servicing	-	-
Amount of debt servicing limit (exceeded) available	<u>\$ 415,495</u>	<u>\$ 491,105</u>

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

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (Schedule 2)	\$ 12,304,726	\$ 11,558,611
Accumulated amortization (Schedule 2)	<u>(4,808,933)</u>	<u>(4,566,794)</u>
	\$ <u>7,495,793</u>	\$ <u>6,991,817</u>

9. RESTRICTED SURPLUS

	2015	Increases	Decreases	2016
Administration	\$ 16,180	\$ -	\$ -	\$ 16,180
Bunker gear	487	-	-	487
Cemetery	19,178	172	-	19,350
Council golf tournament	1,366	-	582	784
Disaster	380	-	-	380
Economic development	30,112	-	-	30,112
Family and community support	7,349	518	342	7,525
Fire department	127,008	-	-	127,008
General contingency	34,013	-	-	34,013
Healthy communities	1,556	-	-	1,556
Lifeline	5,320	1,339	186	6,473
Public works	21,131	-	-	21,131
Recreation	25,135	-	-	25,135
Recreation Board	2,500	-	2,500	-
Subdivision	124,530	-	45,430	79,100
Transportation	48,791	-	3,950	44,841
Water	211,835	-	-	211,835
Waste water	140,783	-	-	140,783
Total	\$ <u>817,654</u>	\$ <u>2,029</u>	\$ <u>52,990</u>	\$ <u>766,693</u>

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

10. SALARY & 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:

	2016			2015
	Salary(1)	Benefits & Allowances(2)	Total	Total
Mayor Reckseidler	\$ 11,655	\$ -	\$ 11,655	\$ 11,880
Councillor Faulk	6,695	92	6,787	8,242
Councillor Hogan	-	-	-	3,657
Councillor Dushanek	7,415	105	7,520	7,562
Councillor Wilson	8,395	118	8,513	9,018
Councillor Chandler	5,720	43	5,763	1,853
Karen Fegan, CAO	\$ 79,588	\$ 7,380	\$ 86,968	\$ 81,123

(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.

11. CONTINGENCIES

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

The Village of Delburne is a member municipality of the Central Alberta Waste Management Authority and provides funds for operations on an annual basis. The Authority is accumulating reserves to fund any future site cleanup obligations. The member municipalities may be liable for future costs in excess of the restricted surplus.

The Village of Delburne and the City of Red Deer through a joint agreement provide funds for the operation of the Delburne Family and Community Support Services. The amounts presented in this financial statement represent only the Village of Delburne portion of contributions made to F.C.S.S.

12. FINANCIAL INSTRUMENTS

The Village is exposed to various risks through its financial instruments. The following analysis provides a measure of the Village's risk exposure and concentrations at the balance sheet date.

VILLAGE OF DELBURNE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

12. FINANCIAL INSTRUMENTS - Continued

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Village is exposed to interest rate risk on bank indebtedness and fixed rate investments as the interest rates vary with changes in the prime lending rate.

Operating Lines of Credit

At December 31, 2016, the Village had short-term bank lines of credit aggregating \$50,000 (2015 - \$50,000) of which \$NIL (2015 - \$NIL) had been drawn down. Lines of credit are revolving operating and term facilities that bear interest at prime. They are reviewed annually and secured by a general security agreement.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

13. SEGMENTED DISCLOSURE

The Village of Delburne provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule 6 – Segmented Disclosure.

14. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.