

VILLAGE OF MANNVILLE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2016



JMD Group LLP CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Maurice R. Joly, CA, CFP*
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To the Mayor and Council of the Village of Mannville

Report on the Consolidated Financial Statements

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

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian 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 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 our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Mannville as at December 31, 2016, and the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ST. PAUL, ALBERTA
February 21, 2017

JMD Group LLP
CHARTERED ACCOUNTANTS

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Financial assets		
Cash (note 2)	\$ 1,957,840	\$ 1,384,485
Taxes receivable (note 3)	112,822	107,570
Receivable from other governments	5,425	20,622
Trade and other receivables	77,813	77,333
Inventory held for resale	11,075	16,858
Land held for resale	79,627	79,627
Long-term investments (note 4)	<u>7,743</u>	<u>7,714</u>
	<u>2,252,345</u>	<u>1,694,209</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	127,257	302,287
Tax sale surplus	12,381	12,381
Landfill closure and post-closure liability (note 6)	190,115	180,115
Deferred revenue (note 7)	602,257	377,100
Long-term debt (note 8)	<u>860,865</u>	<u>965,641</u>
	<u>1,792,875</u>	<u>1,837,524</u>
Net financial assets (debt)	<u>459,470</u>	<u>(143,315)</u>
Non-financial assets		
Tangible capital assets (schedule 2)	9,459,387	9,692,045
Inventory	13,707	13,707
Prepaid expenses	<u>474</u>	<u>2,883</u>
	<u>9,473,568</u>	<u>9,708,635</u>
Accumulated surplus (note 11)	<u>\$ 9,933,038</u>	<u>\$ 9,565,320</u>

Contingency (note 17)

Approved by:

Mayor

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Revenue			
Net municipal taxes (schedule 3)	\$ 778,141	\$ 775,285	\$ 738,553
Sales and user fees	955,400	1,085,934	1,126,526
Government transfers for operating (schedule 4)	263,451	280,070	240,754
Investment income	9,200	11,652	8,489
Penalties and costs on taxes	18,000	18,540	21,499
Rentals	14,300	13,294	15,903
Franchise revenues	111,600	100,630	91,659
Licenses and permits	4,100	4,730	3,900
Insurance	--	33,180	--
Other	<u>9,300</u>	<u>26,205</u>	<u>22,058</u>
	<u>2,163,492</u>	<u>2,349,520</u>	<u>2,269,341</u>
Expenses			
Administration and legislative	270,609	301,942	326,143
Protective services	75,955	93,193	100,375
Bylaw enforcement	8,950	3,209	9,097
Roads, streets, walks, lighting	412,204	473,476	424,560
Water supply and distribution	341,420	294,759	319,974
Wastewater treatment and disposal	163,722	147,711	124,098
Waste management	122,837	133,622	146,712
Family and community support services	113,710	124,881	104,616
Cemetery	6,175	7,905	6,464
Planning and economic development	2,970	4,993	19,589
Subdivision land and development	--	--	15,613
Recreation and culture	227,616	282,868	282,514
Golf course (schedule 7)	<u>442,924</u>	<u>507,324</u>	<u>529,293</u>
	<u>2,189,092</u>	<u>2,375,883</u>	<u>2,409,048</u>
Excess (deficiency) of revenue over expenses before other	(25,600)	(26,363)	(139,707)
Other			
Government transfers for capital (schedule 4)	555,629	393,961	442,170
Gain on sale of tangible capital assets	<u>600</u>	<u>120</u>	<u>--</u>
Excess of revenue over expenses	530,629	367,718	302,463
Accumulated surplus, beginning of year	<u>9,565,320</u>	<u>9,565,320</u>	<u>9,262,857</u>
Accumulated surplus, end of year	\$ <u>10,095,949</u>	\$ <u>9,933,038</u>	\$ <u>9,565,320</u>

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Excess of revenue over expenses	\$ <u>530,629</u>	\$ <u>367,718</u>	\$ <u>302,463</u>
Acquisition of tangible capital assets	(555,629)	(182,744)	(404,650)
Gain on sale	(600)	(120)	--
Proceeds on disposition	600	6,415	--
Amortization of tangible capital assets	<u>397,635</u>	<u>409,107</u>	<u>400,725</u>
	<u>(157,994)</u>	<u>232,658</u>	<u>(3,925)</u>
Acquisition of prepaid expenses	--	(474)	(2,883)
Use of prepaid expenses	<u>--</u>	<u>2,883</u>	<u>5,728</u>
	<u>--</u>	<u>2,409</u>	<u>2,845</u>
Increase in net financial assets	372,635	602,785	301,383
Net financial assets (debt), beginning of year	(<u>143,315</u>)	(<u>143,315</u>)	(<u>444,698</u>)
Net financial assets (debt), end of year	\$ <u>229,320</u>	\$ <u>459,470</u>	\$ (<u>143,315</u>)

**VILLAGE OF MANNVILLE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 367,718	\$ 302,463
Non-cash items included		
Amortization of tangible capital assets	409,107	400,725
Gain on sale of tangible capital assets	(120)	--
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(5,252)	(19,959)
Receivables from other governments	15,197	1,419
Trade and other receivables	(480)	10,066
Inventory held for resale	5,783	13,912
Land held for resale	--	12,800
Prepaid expenses	2,409	2,845
Increase (decrease) in		
Accounts payable and accrued liabilities	(175,030)	151,088
Tax sale surplus	--	6,053
Landfill closure and post closure liability	10,000	--
Deferred revenue	<u>225,157</u>	<u>(34,706)</u>
Net cash from operations	<u>854,489</u>	<u>846,706</u>
Capital		
Acquisition of tangible capital assets	(182,744)	(404,650)
Proceeds of disposition	<u>6,415</u>	<u>--</u>
	<u>(176,329)</u>	<u>(404,650)</u>
Investing		
Increase in investments	<u>(29)</u>	<u>(735)</u>
Financing		
Repayment of long-term debt	<u>(104,776)</u>	<u>(102,178)</u>
Change in cash during the year	573,355	339,143
Cash, beginning of year	<u>1,384,485</u>	<u>1,045,342</u>
Cash, end of year	<u>\$ 1,957,840</u>	<u>\$ 1,384,485</u>

VILLAGE OF MANNVILLE
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ <u>53,180</u>	\$ <u>785,736</u>	\$ <u>8,726,404</u>	\$ <u>9,565,320</u>	\$ <u>9,262,857</u>
Excess of revenues over expenses	367,718	--	--	367,718	302,463
Unrestricted funds designated for future use	(219,293)	219,293	--	--	--
Current year funds used for tangible capital assets	(182,744)	--	182,744	--	--
Annual amortization expense	409,107	--	(409,107)	--	--
Disposals of tangible capital assets	6,296	--	(6,296)	--	--
Long-term debt repaid	(104,777)	--	104,777	--	--
Change in accumulated surplus	<u>276,307</u>	<u>219,293</u>	<u>(127,882)</u>	<u>367,718</u>	<u>302,463</u>
Balance, end of year	\$ <u>329,487</u>	\$ <u>1,005,029</u>	\$ <u>8,598,522</u>	\$ <u>9,933,038</u>	\$ <u>9,565,320</u>

**VILLAGE OF MANNVILLE
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cost	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016	2015
Balance, beginning of year	\$ 420,874	\$ 810,968	\$ 6,179,301	\$ 9,606,759	\$ 1,108,604	\$ 181,444	\$ 18,307,950	\$ 17,903,300
Acquisition of tangible capital assets	--	44,826	20,900	7,592	109,426	--	182,744	760,806
Construction in progress	--	--	--	--	--	--	--	(356,156)
Disposition of tangible capital assets	--	--	--	--	(17,599)	(21,525)	(39,124)	--
Balance, end of year	<u>420,874</u>	<u>855,794</u>	<u>6,200,201</u>	<u>9,614,351</u>	<u>1,200,431</u>	<u>159,919</u>	<u>18,451,570</u>	<u>18,307,950</u>
Accumulated amortization								
Balance, beginning of year	--	205,389	3,197,119	4,288,080	779,579	145,738	8,615,905	8,215,180
Annual amortization	--	18,021	122,663	208,656	50,676	9,091	409,107	400,725
Accumulated amortization on disposals	--	--	--	--	(11,304)	(21,525)	(32,829)	--
Balance, end of year	<u>--</u>	<u>223,410</u>	<u>3,319,782</u>	<u>4,496,736</u>	<u>818,951</u>	<u>133,304</u>	<u>8,992,183</u>	<u>8,615,905</u>
Net book value of tangible capital assets	<u>\$ 420,874</u>	<u>\$ 632,384</u>	<u>\$ 2,880,419</u>	<u>\$ 5,117,615</u>	<u>\$ 381,480</u>	<u>\$ 26,615</u>	<u>\$ 9,459,387</u>	<u>\$ 9,692,045</u>
2015 Net book value of tangible capital assets	<u>\$ 420,874</u>	<u>\$ 605,579</u>	<u>\$ 2,982,182</u>	<u>\$ 5,318,679</u>	<u>\$ 329,025</u>	<u>\$ 35,706</u>	<u>\$ 9,692,045</u>	

**VILLAGE OF MANNVILLE
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Taxation			
Real property taxes	\$ 892,345	\$ 889,488	\$ 847,378
Linear property	<u>38,438</u>	<u>38,438</u>	<u>39,727</u>
	<u>930,783</u>	<u>927,926</u>	<u>887,105</u>
Requisitions			
Alberta School Foundation Fund	145,043	145,042	140,881
MD of Minburn Foundation	<u>7,599</u>	<u>7,599</u>	<u>7,671</u>
	<u>152,642</u>	<u>152,641</u>	<u>148,552</u>
Net taxes for general municipal operations	\$ <u>778,141</u>	\$ <u>775,285</u>	\$ <u>738,553</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ 4,000	\$ 3,794	\$ 3,351
Provincial	191,449	203,735	170,257
Local governments	<u>68,002</u>	<u>72,541</u>	<u>67,146</u>
	263,451	280,070	240,754
Transfers for capital			
Provincial	<u>555,629</u>	<u>393,961</u>	<u>442,170</u>
Total government transfers	\$ <u>819,080</u>	\$ <u>674,031</u>	\$ <u>682,924</u>

SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 611,870	\$ 633,967	\$ 727,301
Contracted and general services	410,541	575,501	464,324
Purchases from other governments	195,000	160,314	179,859
Materials, goods, supplies and utilities	295,665	319,565	361,878
Provision for allowances	--	6,000	(6,814)
Transfers to other governments	53,260	43,267	74,646
Transfers to local boards and organizations	159,328	194,201	146,088
Bank charges and short-term interest	8,050	7,571	9,100
Interest on long-term debt	42,088	26,390	28,998
Amortization	397,635	409,107	400,725
Other	<u>15,655</u>	<u>--</u>	<u>22,943</u>
Total expenses	\$ <u>2,189,092</u>	\$ <u>2,375,883</u>	\$ <u>2,409,048</u>

VILLAGE OF MANNVILLE
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2016

Revenue	General Government	Protective Services	Transportation Services	Environmental Services	Public Health	Planning and Development	Recreation and Culture	Total
Net municipal taxes	\$ 775,285	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 775,285
User fees and sales of goods	--	11,192	2,496	647,638	7,238	--	417,370	1,085,934
Government transfers	14,507	68,541	183,681	136,358	117,920	--	153,024	674,031
Investment income	11,652	--	--	--	--	--	--	11,652
Other revenues	<u>143,882</u>	<u>4,596</u>	<u>2,082</u>	<u>225</u>	<u>2,615</u>	<u>6,937</u>	<u>36,362</u>	<u>196,699</u>
Expenses	<u>945,326</u>	<u>84,329</u>	<u>188,259</u>	<u>784,221</u>	<u>127,773</u>	<u>6,937</u>	<u>606,756</u>	<u>2,743,601</u>
Salaries, wages and benefits	144,270	41,913	123,584	83,179	--	--	241,021	633,967
Contract and general services	129,116	33,370	96,101	142,527	7,905	4,993	161,489	575,501
Materials, goods, supplies and utilities	13,861	13,871	114,150	181,206	--	--	156,791	479,879
Transfers to others	--	--	--	41,449	124,881	--	71,138	237,468
Long-term debt interest	--	--	642	23,743	--	--	2,005	26,390
Other expenses	<u>9,652</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,919</u>	<u>13,571</u>
Net revenue before amortization	<u>296,899</u>	<u>89,154</u>	<u>334,477</u>	<u>472,104</u>	<u>132,786</u>	<u>4,993</u>	<u>636,363</u>	<u>1,966,776</u>
Amortization expense	648,427	(4,825)	(146,218)	312,117	(5,013)	1,944	(29,607)	776,825
	<u>(5,043)</u>	<u>(7,248)</u>	<u>(138,999)</u>	<u>(103,988)</u>	<u>--</u>	<u>--</u>	<u>(153,829)</u>	<u>(409,107)</u>
Net revenue	<u>\$ 643,384</u>	<u>\$ (12,073)</u>	<u>\$ (285,217)</u>	<u>\$ 208,129</u>	<u>\$ (5,013)</u>	<u>\$ 1,944</u>	<u>\$ (183,436)</u>	<u>\$ 367,718</u>

VILLAGE OF MANNVILLE
SCHEDULE 7 – GOLF COURSE STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u> (unaudited)	<u>2016</u>	<u>2015</u>
Revenue			
Fees and rentals	\$ 152,000	\$ 162,162	\$ 158,404
Sale of confections	116,500	115,183	114,656
Camping	50,000	64,897	69,803
Sale of merchandise	35,000	19,820	35,637
Government transfers for operations	<u>36,245</u>	<u>40,100</u>	<u>37,900</u>
	<u>389,745</u>	<u>402,162</u>	<u>416,400</u>
Expenses			
Wages and benefits	183,300	206,273	212,793
Confections	61,000	68,272	67,565
Repairs and maintenance	43,800	51,530	61,122
Amortization	49,546	48,410	49,546
Equipment rentals	12,500	40,707	12,465
Utilities	37,000	34,856	38,550
Merchandise	12,500	23,756	28,367
Advertising	9,000	9,066	13,388
Supplies	4,325	6,220	19,479
Insurance	5,300	5,729	5,965
Freight and telephone	3,000	4,764	4,434
Bank charges	4,000	3,918	3,938
Interest on long-term debt	8,393	2,005	2,421
Property taxes	<u>9,260</u>	<u>1,818</u>	<u>9,260</u>
	<u>442,924</u>	<u>507,324</u>	<u>529,293</u>
Excess (deficiency) of revenue over expenses			
- before other	(53,179)	(105,162)	(112,893)
Other			
Loss on disposal of tangible capital assets	--	(480)	--
Government transfer for capital	<u>--</u>	<u>66,159</u>	<u>--</u>
Excess (deficiency) of revenues over expenses	\$ <u>(53,179)</u>	\$ <u>(39,483)</u>	\$ <u>(112,893)</u>

**VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Significant Accounting Policies

The consolidated financial statements of the Village of Mannville are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the village are as follows:

(a) Reporting Entity

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

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

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

Interdepartmental and organizational transactions and balances are eliminated.

(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) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Significant Accounting Policies (continued)

(d) Cash

Cash is defined as petty cash, cash in chequing and savings accounts adjusted for outstanding cheques and deposits.

(e) Investments

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

(f) Inventories Held for Resale

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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

(g) Requisition Over-levy and Under-levy

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

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

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

(h) 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.

(i) 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.

**VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Significant Accounting Policies (continued)

(i) Government Transfers (continued)

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

(j) Landfill Closure and Post-closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the municipality is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(k) Non-Financial Assets

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

(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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Buildings	25-50
Engineered structures	
Water system	35-75
Wastewater system	35-75
Other engineered structures	20-60
Machinery and equipment	5-40
Vehicles	10-20
Land improvements	10-25

No amortization is charged in the year of acquisition or in the year of disposal. 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 recoded as revenue.

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Significant Accounting Policies (continued)

(k) Non-Financial Assets (continued)

(iii) 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.

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(l) 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.

2. Cash

	<u>2016</u>	<u>2015</u>
Petty cash	\$ 130	\$ 130
Credit Union current account	467,393	485,164
Savings accounts	1,477,284	886,265
Trust account	<u>13,033</u>	<u>12,926</u>
	\$ <u>1,957,840</u>	\$ <u>1,384,485</u>

3. Taxes Receivable

	<u>2016</u>	<u>2015</u>
Current	\$ 91,925	\$ 92,207
Arrears	41,897	30,363
Allowance	<u>(21,000)</u>	<u>(15,000)</u>
	\$ <u>112,822</u>	\$ <u>107,570</u>

4. Long-Term Investments

	<u>2016</u>		<u>2015</u>	
	Cost	Market Value	Cost	Market Value
Credit Union shares	\$ 227	\$ 227	\$ 218	\$ 218
East-Alta Co-op	<u>7,516</u>	<u>7,516</u>	<u>7,496</u>	<u>7,496</u>
	\$ <u>7,743</u>	\$ <u>7,743</u>	\$ <u>7,714</u>	\$ <u>7,714</u>

**VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Employee Benefit Obligation

Included in accounts payable and accrued liabilities is a vacation liability of \$19,033 (2015 - \$21,774). The vacation liability is comprised of the vacation that employees have earned and are entitled to within the next budgetary year.

6. Landfill Closure and Post-Closure Liability

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The accrued liabilities for closure and post-closure care of the municipality's landfill sites are recognized over the life of the sites, using the net present value of the total estimated costs of closure and post-closure care, prorated on the basis of the current capacity, in cubic meters, utilized over the total estimated capacity of the sites. The net present value or the estimated closure and post-closure costs were calculated using a rate of return equal to 6.25%.

All partner municipalities of the Mannville landfill site formed East Regional Waste Transfer Station in 2013. Reclamation of the Mannville landfill site has not yet commenced.

The municipality has designated some assets for settling closure and post-closure liabilities. The following summarizes the total net present value of the estimated costs for closure and post closure:

	<u>2016</u>	<u>2015</u>
Estimated closure costs	\$ 201,000	\$ 201,000
Estimated post-closure costs	<u>626,795</u>	<u>500,000</u>
Estimated total liability	\$ <u>827,795</u>	\$ <u>701,000</u>
Amount accrued to December 31	\$ 190,115	\$ 180,115
Value of topsoil set aside for closure	<u>96,780</u>	<u>96,780</u>
	\$ <u>286,895</u>	\$ <u>276,895</u>

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7. Deferred Revenue		<u>2016</u>	<u>2015</u>
MSI Capital		\$ 551,507	\$ 291,112
Unspent insurance proceeds		--	33,180
Federal Gas Tax Fund		28,200	28,200
Communities in Bloom		21,000	21,000
Other		<u>1,550</u>	<u>3,608</u>
		<u>\$ 602,257</u>	<u>\$ 377,100</u>

Funding from various grant programs in the amount of \$579,707 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements. Most of the projects are scheduled for completion in 2017. Deferred revenue is supported by cash in the amount of \$602,257 (2015 - \$377,100) held exclusively for these projects.

8. Long-Term Debt		<u>2016</u>	<u>2015</u>
Tax supported debentures		\$ 86,540	\$ 124,360
Supported by utility rates		<u>774,325</u>	<u>841,281</u>
		<u>\$ 860,865</u>	<u>\$ 965,641</u>

Principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 107,446	\$ 24,078	\$ 131,524
2018	86,275	21,432	107,707
2019	88,705	19,002	107,707
2020	91,206	16,501	107,707
2021	76,871	14,049	90,920
Thereafter	<u>410,362</u>	<u>43,944</u>	<u>454,306</u>
	<u>\$ 860,865</u>	<u>\$ 139,006</u>	<u>\$ 999,871</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 1.603% to 3.295% per annum and matures in periods 2017 through 2028. The average annual interest rate is 2.89% for 2016 (2.825% for 2015).

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

Interest on long-term debt amounted to \$26,390 (2015 - \$28,998).

The municipality's total cash payments for interest in 2016 were \$26,747 (2015 - \$29,347).

**VILLAGE OF MANNVILLE
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FOR THE YEAR ENDED DECEMBER 31, 2016**

9. 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:

	<u>2016</u>	<u>2015</u>
Total debt limit	\$ 3,524,460	\$ 3,404,012
Total debt	<u>(860,865)</u>	<u>(965,641)</u>
Amount of debt limit unused	\$ <u>2,663,595</u>	\$ <u>2,438,371</u>
Debt servicing limit	\$ 587,410	\$ 567,335
Debt servicing	<u>(131,524)</u>	<u>(131,524)</u>
Amount of debt servicing limit unused	\$ <u>455,886</u>	\$ <u>435,811</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.

10. Equity in Tangible Capital Assets

	<u>2016</u>	<u>2015</u>
Tangible capital assets (schedule 2)	\$ 18,451,570	\$ 18,307,950
Accumulated amortization (schedule 2)	(8,992,183)	(8,615,905)
Long-term debt (note 8)	<u>(860,865)</u>	<u>(965,641)</u>
	\$ <u>8,598,522</u>	\$ <u>8,726,404</u>

11. Accumulated Surplus

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ 329,487	\$ 53,180
Restricted surplus		
Equipment replacement	425,678	425,678
Cemetery contributions	9,000	9,000
Internet reserve	7,323	7,323
Water capital reserve	325,664	155,556
Sewer capital reserve	237,364	188,179
Equity in tangible capital assets (note 10)	<u>8,598,522</u>	<u>8,726,404</u>
	\$ <u>9,933,038</u>	\$ <u>9,565,320</u>

**VILLAGE OF MANNVILLE
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12. Segmented Disclosure

The municipality 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 of Segmented disclosure (schedule 6).

13. Salary And Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and 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 –	Huppertz	\$ 8,100	\$ 724	\$ 8,824	\$ 7,790
Councillors –	Hinton	6,300	664	6,964	8,511
	Jackson	6,300	612	6,912	6,964
	Boe	7,500	699	8,199	7,383
	Dalton	7,800	690	8,490	8,052
CAO –	Kooistra	25,865	6,461	32,326	--
CAO –	Mason	--	--	--	73,386

⁽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 and health plan.

The CAO duties were performed by a contract CAO for a portion of 2015 and 2016.

**VILLAGE OF MANNVILLE
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14. 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 serves about 244,000 people and 426 employers. 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 municipality is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2016 were \$3,283 (2015 - \$1,458). Total current service contributions by the employees of the municipality to the LAPP in 2016 were \$3,024 (2015 - \$1,341).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$923 million.

15. Commitment

The municipality of Mannville has entered into three year contracts with Wainwright Assessment Group and JMD Group LLP. These contracts expire in 2019.

16. Lease Commitments

The village was committed to making the following lease payments for equipment for the golf course:

2017	\$ 36,069
2018	36,069
2019	36,069
2020	18,034

17. Contingency

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

VILLAGE OF MANNVILLE
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18. Contaminated Sites Liability

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2016 (2015 – nil) as a result of this standard.

19. Financial Instruments

The municipality's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, trust liability, and obligations under capital leases. It is management's opinion that the municipality is not exposed to significant interest or currency risks arising from these financial instruments.

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

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

20. Approval of Financial Statements

Council and Management have approved these financial statements.

21. Budget Amounts

Budget amounts are included for information purposes only and are not audited. The municipality does not budget for amortization.

22. Comparative Figures

Certain of the 2015 comparative figures have been reclassified to conform to the current year's financial statement presentation.

23. Recent Accounting Pronouncements Published But Not Yet Adopted

PSAB Section 1201, Financial Statement Presentation

Revised standard is effective in 2019, when Sections PS2601 and PS3450 are adopted.

PSAB Section 2601, Foreign Currency Transaction

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statement and is effective in 2019.

VILLAGE OF MANNVILLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. Recent Accounting Pronouncements Published But Not Yet Adopted (continued)

PSAB Section 3041, Portfolio Investments

This standard is effective for the 2019 fiscal year and addresses the distinction between temporary and portfolio investments.

PSAB Section 3450, Financial Instruments

PS3450 establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2019 fiscal year.