



Financial statements

Village of Forestburg

December 31, 2017

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Management's responsibility for financial reporting

The accompanying financial statements of the Village of Forestburg are the responsibility of management and have been approved by the Mayor and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, 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 of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate, and the Village's assets are appropriately accounted for and adequately safeguarded.

Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report.

The financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards on behalf of the Council. Grant Thornton LLP has full and free access to the Council.



Debra Moffatt, Chief Administrative Officer



Independent Auditors' Report

To the Mayor and Council of the Village of Forestburg

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Village of Forestburg which comprise the statement of financial position as at December 31, 2017 and the statements of operations, change 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 misstatements, whether due to fraud or error.

Auditors' 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 auditors' 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Forestburg as at December 31, 2017, 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.

Grant Thornton LLP

Chartered Professional Accountants

Camrose, Canada
April 19, 2018

Village of Forestburg

Consolidated Statement of Operations

Year ended December 31

	Budget (see Note 18)	2017	2016
Revenues			
Net municipal property taxes (Schedule 3)	\$ 896,710	\$ 896,060	\$ 892,801
User fees and sales of goods	1,061,230	1,305,158	1,086,133
Government transfers for operating (Schedule 4)	228,480	169,994	137,626
Investment income	23,440	27,200	14,329
Penalties and costs on taxes	18,090	18,401	17,920
Fines	500	994	641
Licenses and permits	7,690	10,386	8,247
Franchise and concession contracts	77,420	78,503	74,449
Rentals	81,250	76,805	85,999
Land sales	-	-	7,700
Other	<u>14,200</u>	<u>63,043</u>	<u>5,801</u>
	<u>2,409,010</u>	<u>2,646,544</u>	<u>2,331,646</u>
Expenses			
Legislative	65,270	65,633	66,718
Administration	352,880	350,528	394,642
Protective services	132,200	92,262	116,218
Roads, streets, walks, lighting	607,450	580,183	607,870
Water supply and distribution	412,770	311,544	299,782
Wastewater treatment and disposal	95,420	110,367	80,963
Waste management	158,810	150,590	151,976
Family and community support	88,060	154,064	60,935
Subdivision land development	60,340	41,401	9,449
Parks and recreation	430,640	453,371	414,271
Rental	98,100	95,126	95,311
Culture	64,140	63,858	37,413
Natural gas operations	257,260	417,721	267,172
Loss on disposal of capital assets	-	37,825	2,295
	<u>2,823,340</u>	<u>2,924,473</u>	<u>2,605,015</u>
Shortfall of revenue over expenses for the year - before other	(414,330)	(277,929)	(273,369)
Other			
Government transfers for capital (Schedule 4)	<u>342,500</u>	<u>930,392</u>	<u>338,739</u>
Excess of revenue over expenses for the year	(71,830)	652,463	65,370
Accumulated surplus, beginning of year	<u>14,482,678</u>	<u>14,482,678</u>	<u>14,417,308</u>
Accumulated surplus, end of year	<u>\$ 14,410,848</u>	<u>\$ 15,135,141</u>	<u>\$ 14,482,678</u>

See accompanying notes and schedules to the financial statements.

Village of Forestburg

Consolidated Statement of Financial Position

December 31

2017

2016

Assets

Cash and temporary investments (Note 2)	\$ 1,911,710	\$ 1,876,980
Receivables:		
Taxes and grants in place of taxes (Note 3)	77,288	69,924
Trade and other receivables	351,157	185,248
Land for resale inventory	30,844	30,844
Investments	<u>28,610</u>	<u>28,610</u>
	<u>\$ 2,399,609</u>	<u>\$ 2,191,606</u>

Liabilities

Accounts payable and accrued liabilities	\$ 232,132	\$ 185,620
Deferred revenue (Note 4)	246,339	286,488
Employee benefit obligations (Note 5)	49,347	49,347
Long-term debt (Note 7)	<u>1,447,933</u>	<u>2,185,758</u>
	<u>1,975,751</u>	<u>2,707,213</u>

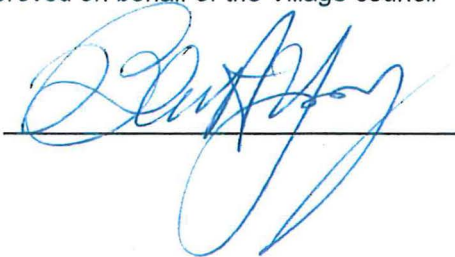
Net financial assets (debt) 423,858 (515,607)

Non-financial assets

Tangible capital assets	14,700,391	14,982,781
Prepaid expenses	<u>10,892</u>	<u>15,504</u>
	<u>14,711,283</u>	<u>14,998,285</u>

Accumulated surplus (Schedule 1) (Note 10) \$ 15,135,141 \$ 14,482,678

Commitments and contingencies (Note 14) and (Note 15)
Approved on behalf of the Village council



Mayor

April 19, 2018

Council Member

See accompanying notes and schedules to the financial statements.

Village of Forestburg
Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended December 31

	Budget (see Note 19)	2017	2016
Excess of revenues over expenses	\$ <u>(71,830)</u>	\$ <u>652,463</u>	\$ <u>65,370</u>
Acquisition of tangible capital assets	(201,300)	(398,583)	(868,900)
Proceeds on disposal of tangible capital assets	-	104,321	-
Amortization of tangible capital assets	543,310	538,827	548,805
Loss on disposal of tangible capital assets	<u>-</u>	<u>37,825</u>	<u>2,295</u>
	<u>342,010</u>	<u>282,390</u>	<u>(317,800)</u>
Acquisition of prepaid assets	-	(10,892)	(15,504)
Use of prepaid assets	<u>-</u>	<u>15,504</u>	<u>12,715</u>
	<u>-</u>	<u>4,612</u>	<u>(2,789)</u>
Increase (decrease) in net financial assets	270,180	939,465	(255,219)
Net financial debt, beginning of year	<u>(260,385)</u>	<u>(515,607)</u>	<u>(260,388)</u>
Net financial assets (debt), end of year	\$ <u>9,795</u>	\$ <u>423,858</u>	\$ <u>(515,607)</u>

See accompanying notes and schedules to the financial statements.

Village of Forestburg

Consolidated Statement of Cash Flows

December 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenses	\$ 652,463	\$ 65,370
Amortization	538,827	548,805
Loss on sale of capital asset	<u>37,825</u>	<u>2,295</u>
	1,229,115	616,470
Net changes in non-cash working capital balances:		
Increase in taxes receivable	(7,364)	(10,209)
(Increase) decrease in trade and other receivables	(165,908)	45,798
Decrease in land for resale inventory	-	4,891
Decrease (increase) in prepaid expenses	4,612	(2,789)
Increase (decrease) in accounts payable and accrued liabilities	46,512	(278,863)
Decrease in deferred revenue	<u>(40,148)</u>	<u>(32,831)</u>
	1,066,819	<u>342,467</u>

Investing

Proceeds from disposal of tangible capital assets	104,321	-
Acquisition of tangible capital assets	<u>(398,583)</u>	<u>(868,901)</u>
Net cash to investing activities	<u>(294,262)</u>	<u>(868,901)</u>

Financing

Long-term debt issued	420,000	533,500
Long-term debt repaid	<u>(1,157,827)</u>	<u>(63,872)</u>
Net cash (to) from financing activities	<u>(737,827)</u>	<u>469,628</u>
Increase (decrease) in cash and cash equivalents during year	34,730	(56,806)
Net cash and cash equivalents, beginning of year	<u>1,876,980</u>	<u>1,933,786</u>
Net cash and cash equivalents, end of year	<u>\$ 1,911,710</u>	<u>\$ 1,876,980</u>

See accompanying notes and schedules to the financial statements.

Village of Forestburg

Schedule of Changes in Accumulated Surplus

Year ended December 31

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
Balance, beginning of year	\$ 786,203	\$ 899,452	\$ 12,797,023	\$ 14,482,678	\$ 14,417,308
Excess of revenues over expenses	652,463	-	-	652,463	65,370
Unrestricted funds designated for future use	(293,280)	293,280	-	-	-
Restricted funds used for operations	105,001	(105,001)	-	-	-
Restricted funds used for tangible capital assets	-	(110,782)	110,782	-	-
Current year funds used for tangible capital assets	(287,800)	-	287,800	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	142,146	-	(142,146)	-	-
Annual amortization expense	538,827	-	(538,827)	-	-
Long term debt issued, net of repayments	<u>(737,827)</u>	<u>-</u>	<u>737,827</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>119,530</u>	<u>77,497</u>	<u>455,436</u>	<u>652,463</u>	<u>65,370</u>
Balance, end of year	<u>\$ 905,733</u>	<u>\$ 976,949</u>	<u>\$ 13,252,459</u>	<u>\$ 15,135,141</u>	<u>\$ 14,482,678</u>

Village of Forestburg Schedule of 2017 Tangible Capital Assets

Year ended December 31

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017
Cost							
Balance, beginning of year	\$ 741,591	\$ -	\$ 6,974,321	\$ 14,006,881	\$ 1,410,631	\$ 430,284	\$ 23,563,708
Acquisition of tangible capital assets	-	-	49,500	306,098	42,984	-	398,582
Disposal of tangible capital assets	<u>(7,592)</u>	<u>-</u>	<u>(104,410)</u>	<u>(34,320)</u>	<u>-</u>	<u>-</u>	<u>(146,322)</u>
Balance, end of year	<u>733,999</u>	<u>-</u>	<u>6,919,411</u>	<u>14,278,659</u>	<u>1,453,615</u>	<u>430,284</u>	<u>23,815,968</u>
Accumulated amortization							
Balance, beginning of year	-	-	2,103,717	5,114,325	972,346	390,538	8,580,926
Annual amortization	-	-	154,785	323,404	48,713	11,925	538,827
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>(4,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,176)</u>
Balance, end of year	<u>-</u>	<u>-</u>	<u>2,254,326</u>	<u>5,437,729</u>	<u>1,021,059</u>	<u>402,463</u>	<u>9,115,577</u>
Net book value of tangible capital assets	<u>\$ 733,999</u>	<u>\$ -</u>	<u>\$ 4,665,085</u>	<u>\$ 8,840,930</u>	<u>\$ 432,556</u>	<u>\$ 27,821</u>	<u>\$ 14,700,391</u>

Village of Forestburg

Schedule of 2016 Tangible Capital Assets

Year ended December 31

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016
Cost							
Balance, beginning of year	\$ 524,880	\$ -	\$ 6,797,132	\$ 13,566,951	\$ 1,392,616	\$ 415,874	\$ 22,697,453
Acquisition of tangible capital assets	216,710	-	177,189	439,930	20,662	14,410	868,901
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,647)</u>	<u>-</u>	<u>(2,647)</u>
Balance, end of year	<u>741,590</u>	<u>-</u>	<u>6,974,321</u>	<u>14,006,881</u>	<u>1,410,631</u>	<u>430,284</u>	<u>23,563,707</u>
Accumulated amortization							
Balance, beginning of year	-	-	1,948,921	4,783,949	926,100	373,504	8,032,474
Annual amortization	-	-	154,796	330,376	46,599	17,034	548,805
Accumulated amortization on disposals	-	-	-	-	(353)	-	(353)
Balance, end of year	<u>-</u>	<u>-</u>	<u>2,103,717</u>	<u>5,114,325</u>	<u>972,346</u>	<u>390,538</u>	<u>8,580,926</u>
Net book value of capital assets	<u>\$ 741,590</u>	<u>\$ -</u>	<u>\$ 4,870,604</u>	<u>\$ 8,892,556</u>	<u>\$ 438,285</u>	<u>\$ 39,746</u>	<u>\$14,982,781</u>

Included in Engineered Structures is work-in-progress of \$347,734 that relates to the water treatment plant. Since the plant had not been completed as of year end, no amortization on the asset has been recorded.

Village of Forestburg Schedule of Property and Other Taxes

Year ended December 31

	Budget (see Note 18)	2017	2016
Taxation			
Real property taxes	\$ 957,450	\$ 957,082	\$ 960,866
Linear property taxes	33,610	33,538	36,422
Special assessments and local improvement taxes	<u>96,180</u>	<u>95,970</u>	<u>96,180</u>
	<u>1,087,240</u>	<u>1,086,590</u>	<u>1,093,468</u>
Requisitions			
Alberta School Foundation Fund	180,080	180,082	184,290
Seniors Lodge	<u>10,450</u>	<u>10,448</u>	<u>16,377</u>
	<u>190,530</u>	<u>190,530</u>	<u>200,667</u>
Net municipal taxes	\$ <u><u>896,710</u></u>	\$ <u><u>896,060</u></u>	\$ <u><u>892,801</u></u>

Village of Forestburg Schedule of Government Transfers

Year ended December 31

	Budget (see Note 18)	2017	2016
Transfers for operating			
Provincial Government	\$ 189,470	\$ 145,141	\$ 111,906
Other Local Governments	<u>39,010</u>	<u>24,853</u>	<u>25,720</u>
	228,480	169,994	137,626
Transfers for capital			
Provincial Government	<u>342,500</u>	<u>930,392</u>	<u>338,739</u>
Total government transfers	\$ <u>570,980</u>	\$ <u>1,100,386</u>	\$ <u>476,365</u>

Village of Forestburg

Schedule of Consolidated Expenses by Object

Year ended December 31

	Budget (see Note 18)	2017	2016
Expenditures			
Salaries, wages and benefits	\$ 771,380	\$ 713,449	\$ 692,857
Contracted and general services	608,050	539,308	509,839
Materials, goods and utilities	472,560	684,989	460,451
Provision for allowances	2,000	122	17,521
Transfers to local boards and agencies	320,220	330,823	288,055
Bank charges and short term interest	2,100	2,166	2,058
Interest on long-term debt	89,600	62,151	68,182
Amortization of tangible capital assets	543,310	538,828	548,805
Loss on disposal of tangible capital assets	-	37,825	2,295
Other expenses	<u>14,120</u>	<u>14,812</u>	<u>14,952</u>
	<u>\$ 2,823,340</u>	<u>\$ 2,924,473</u>	<u>\$ 2,605,015</u>

Village of Forestburg

Schedule of Segmented Disclosure

Year ended December 31

	Legislative	Administration	Protective Services	Roads, Streets, Walks & Lighting	Water, Wastewater, Gas & Waste Management	Airport	Planning & Development	Recreation & Culture	2017
Revenue									
Net municipal property taxes	\$ -	\$ 896,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 896,060
User fees and sales of goods	-	112,843	6,124	-	1,143,397	-	-	42,794	1,305,158
Government transfers	-	45,000	24,853	203,654	826,879	-	-	-	1,100,386
Investment income	-	27,200	-	-	-	-	-	-	27,200
Penalties and costs on taxes	-	18,401	-	-	-	-	-	-	18,401
Licences and permits	-	10,386	-	-	-	-	-	-	10,386
Franchise and concession contracts	-	78,503	-	-	-	-	-	-	78,503
Rentals	-	76,805	-	-	-	-	-	-	76,805
Other revenues	-	3,965	9,900	-	-	-	49,178	-	63,043
Fines	-	-	994	-	-	-	-	-	994
	-	<u>1,269,163</u>	<u>41,871</u>	<u>203,654</u>	<u>1,970,276</u>	-	<u>49,178</u>	<u>42,794</u>	<u>3,576,936</u>
Expenses									
Salaries, wages and benefits	41,947	232,860	28,996	167,402	139,770	2,906	32,125	67,443	713,449
Contracted and general services	13,683	123,455	35,957	90,574	169,041	4,743	43,033	58,823	539,308
Materials, goods and utilities	10,002	54,422	13,954	131,573	352,178	2,904	82,607	37,350	684,990
Transfers to local boards and agencies	-	-	5,354	-	139,711	-	4,023	7,656	156,744
Transfers to individuals and organizations	-	6,992	-	-	-	-	15,332	151,754	174,078
Bank charges and short term interest	-	2,166	-	-	-	-	-	-	2,166
Interest on long-term debt	-	-	-	-	20,409	-	-	41,743	62,152
Loss on disposal of capital assets	-	-	-	-	-	-	-	37,825	37,825
Other expenses	-	3,604	-	-	11,209	-	-	-	14,813
Bad debts	-	122	-	-	-	-	-	-	122
	<u>65,632</u>	<u>423,621</u>	<u>84,261</u>	<u>389,549</u>	<u>832,318</u>	<u>10,553</u>	<u>177,120</u>	<u>402,594</u>	<u>2,385,647</u>
Net revenue before amortization	<u>(65,632)</u>	<u>845,542</u>	<u>(42,390)</u>	<u>(185,895)</u>	<u>1,137,958</u>	<u>(10,553)</u>	<u>(127,942)</u>	<u>(359,800)</u>	<u>1,191,288</u>
Amortization of tangible capital assets	-	<u>22,036</u>	<u>8,002</u>	<u>176,061</u>	<u>157,902</u>	<u>4,022</u>	-	<u>170,804</u>	<u>538,827</u>
Net revenue	<u>\$ (65,632)</u>	<u>\$ 823,506</u>	<u>\$ (50,392)</u>	<u>\$ (361,956)</u>	<u>\$ 980,056</u>	<u>\$ (14,575)</u>	<u>\$ (127,942)</u>	<u>\$ (530,604)</u>	<u>\$ 652,463</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

1. Significant accounting policies

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

Reporting Entity

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

- Village of Forestburg Fire Department
- Village of Forestburg Airport
- Village of Forestburg Waterworks and Wastewater Systems

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.

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.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant estimates include estimating provisions for allowances for doubtful accounts, expected useful life of tangible capital assets and employee benefit obligations. Actual results could differ from those estimates.

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

1. Significant accounting policies (continued)

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.

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.

Inventories for resale

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

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.

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. Standard PS3260 was applied on a prospective basis.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

1. Significant accounting policies (continued)

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 cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Buildings	25-50
Engineered structures:	
Water system	45-75
Wastewater system	45-75
Other engineered structures	5-75
Machinery and equipment	5-40

Vehicles are amortized using the declining balance method, at a rate of 30%.

Full year amortization is charged in the year of acquisition and no amortization is charged 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 recorded as revenue.

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.

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

1. Significant accounting policies (continued)

Future Accounting Changes

The following summarizes upcoming changes to Canadian Public Sector Accounting Standards issued by the Public Sector Accounting Standards Board. In 2017, the Village will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

Public Standard Sector Accounting Standard	Name	Effective Date (fiscal year beginning on or after...)
PS 3450	Financial Instruments	April 1, 2019
PS 2200	Related party disclosures	April 1, 2017
PS 3420	Inter-entity transactions	April 1, 2017
PS 3210	Assets	April 1, 2017
PS 3320	Contingent assets	April 1, 2017
PS 3380	Contractual rights	April 1, 2017
PS 3430	Restructuring transactions	April 1, 2018

2. Cash and temporary investments

	2017	2016
Cash	\$ 749,900	\$ 290,826
GIC's - short term, maturing between two months to one year	<u>1,161,810</u>	<u>1,586,154</u>
	<u>\$ 1,911,710</u>	<u>\$ 1,876,980</u>

Temporary investments consists of GIC's maturing between two months to one year.

Council has designated funds of \$850,344 (2016 - \$899,452) included in the above amounts for capital replacement and other purposes.

Included in cash and term investments is a restricted amount of \$241,361 (2016 - \$280,672) held exclusively for capital projects (Note 4).

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

3. Taxes and grants in place of taxes receivables

	2017	2016
Current:		
Current taxes and grants in place of taxes	\$ 50,883	\$ 54,046
Tax arrears	<u>33,807</u>	<u>23,280</u>
	84,690	77,326
Less: allowance for doubtful accounts	<u>(7,402)</u>	<u>(7,402)</u>
	<u>\$ 77,288</u>	<u>\$ 69,924</u>

4. Deferred revenue

	2017	2016
Regional Collaboration Program	103,304	161,865
Municipal Sustainability Initiative - Capital	138,057	118,807
Rent and By-law Revenues	<u>4,978</u>	<u>5,816</u>
	<u>\$ 246,339</u>	<u>\$ 286,488</u>

5. Employee benefit obligations

	2017	2016
Vacation, overtime and sick time accrual	\$ <u>49,347</u>	\$ <u>49,347</u>

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Sick time accrual

The Village of Forestburg allows full-time staff to carry-forward a maximum of a years' worth of sick time to future years. The sick time accrual is not vested and no expense is incurred when the employment relationship is ended.

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

6. Contaminated sites liability

On January 1, 2015, the Village adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Village.

7. Long-term debt

	2017	2016
Tax supported debentures	\$ 1,377,933	\$ 1,014,106
Bank loan	-	1,091,652
Private loan	<u>70,000</u>	<u>80,000</u>
	<u>\$ 1,447,933</u>	<u>\$ 2,185,758</u>

The current portion of the long-term debt amounts to \$124,487 (2016 - \$160,339).

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 124,487	\$ 49,295	\$ 173,782
2019	128,297	45,486	173,783
2020	132,243	41,538	173,781
2021	136,333	37,450	173,783
2022	140,570	33,212	173,782
Thereafter	<u>786,003</u>	<u>119,459</u>	<u>905,462</u>
	<u>\$ 1,447,933</u>	<u>\$ 326,440</u>	<u>\$ 1,774,373</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 2.327% to 4.276% per annum and have maturity dates from December 2024 to December 2030. The average annual interest rate is 3.58% for 2017 (2016 - 4.22%). Debenture debt is issued on the credit and security of the Village of Forestburg at large.

Private loan is repayable to the Forestburg Golf Club and bears no interest. It is repayable in annual principal payments of \$10,000, maturing in 2024.

Interest on long-term debt amounted to \$62,151 for 2017 (2016 - \$68,182).

The Village's total cash payments for interest in 2017 were \$62,224 (2016 - \$67,547).

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

8. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/10 for the Village of Forestburg be disclosed as follows:

	2017	2016
Total debt limit	\$ 3,969,816	\$ 3,497,469
Less: Total debt	<u>1,447,933</u>	<u>2,185,758</u>
Amount of debt limit unused	<u>\$ 2,521,883</u>	<u>\$ 1,311,711</u>
Debt servicing limit	\$ 661,636	\$ 582,912
Less: Debt servicing	<u>173,782</u>	<u>227,608</u>
Amount of debt servicing limit unused	<u>\$ 487,854</u>	<u>\$ 355,304</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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

	2017	2016
Tangible capital assets (Schedule 2)	\$ 23,815,968	\$ 23,563,707
Accumulated amortization (Schedule 2)	(9,115,577)	(8,580,926)
Long-term debt (Note 6)	<u>(1,447,933)</u>	<u>(2,185,758)</u>
	<u>\$ 13,252,459</u>	<u>\$ 12,797,023</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

10. Accumulated surplus

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

	2017	2016
Unrestricted surplus	\$ 905,733	\$ 786,203
Restricted surplus		
General and administration	5,000	5,000
Emergency management	4,500	4,500
Fire	56,670	43,670
Roads, streets, walks, lighting	51,773	90,429
Water	224,500	239,500
Airport	2,910	2,910
Sewer	50,000	40,000
Garbage	50,000	40,000
Cemetery	23,717	29,744
Recreation, parks, and culture	66,816	80,016
Subdivision and land development	214,577	137,299
Gas	163,094	169,498
Contingency reserve	63,392	16,886
Restricted surplus total	976,949	899,452
Equity in tangible capital assets	<u>13,252,459</u>	<u>12,797,023</u>
Total accumulated surplus	<u>\$ 15,135,141</u>	<u>\$ 14,482,678</u>

11. Segmented Disclosure

The Village of Forestburg 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).

12. Trust Funds

The Village of Forestburg administers the following trust funds not included in the financial statements:

	2017	2016
Forestburg Enhancement Trust	\$ <u>34,804</u>	\$ <u>49,705</u>

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

13. Salary and benefits disclosure

Disclosure of salaries and benefits for municipal officials and the Chief Administrative Officer as required by Alberta Regulation 313/2000 is as follows:

	2017			2016
	Salary	Benefits & Allowances	Total	Total
Councilor 1 - Miller	\$ 14,028	\$ 133	\$ 14,161	\$ 15,517
Councilor 2 - Coutts	10,670	160	10,830	8,682
Councilor 3 - Hagel	1,570	40	1,610	6,587
Councilor 4 - D. Oberg	4,620	133	4,753	6,872
Councilor 5 - K. Oberg	3,807	133	3,940	5,447
Councilor 6 - Fossen	2,391	27	2,418	-
Councilor 7 - Giroux	1,123	27	1,150	-
Mayor - Young	2,683	27	2,710	-
Chief Administrative Officer - Moffatt	\$ 92,511	\$ 20,429	\$ 112,940	\$ 112,396

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Employer's share include 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.

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

14. Contingencies

The Village is a member of the Flagstaff Regional Solid Waste Management Association and pays an annual requisition to this organization in exchange for waste management services. The estimated closure and post closure costs of the landfill controlled by the Association were budgeted at \$2,827,268 (2016 - \$2,773,107) using current dollars. The current capacity of the landfill should be approximately 31%, as of December 31, 2017 (2016 - 33%). An accrued liability of the Association of \$1,939,866 (2016 - \$1,863,528) has been disclosed in the Association's financial statements. The Association currently has cash reserves of \$1,219,187 (2016 - \$1,088,726). The total unfunded accrued liability of the Association is \$720,678 (2016 - \$774,802). The portion of the unfunded accrued liability attributable to the Village of Forestburg is \$73,762 (2016 - \$79,302). No amount has been reported on the financial statements of the Village related to this liability. The Village has established an internal reserve (currently \$50,000) to help fund their portion of the above liability should it arise.

The Village of Forestburg is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Village of Forestburg 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.

15. Commitments

The Village has office equipment under a lease expiring December 2019. Future minimum lease payments, not including other charges are as follows:

2018	3,455
2019	3,455

16. 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 Pensions Plan 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 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 Village 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.

Current service contributions by the Village to the LAPP in 2017 were \$47,119 (2016 - \$44,947). Total service contributions by the employees of the Village to the Local Authorities Pension Plan in 2016 were \$43,272 (2016 - \$41,267). At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million (2016 - \$923 million).

Village of Forestburg

Notes to the Financial Statements

December 31, 2017

17. Financial Instruments

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Village 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 receivables 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

18. Budget data

The budget data presented in these financial statements is based upon the 2017 operating and capital budgets approved by Council.

Revenues

Operating budget	\$ 3,246,800
Capital budget	342,500

Less

Offset for amortization in budget	(543,310)
Requisition	(190,530)
Transfer from reserves	<u>(103,950)</u>

\$ 2,751,510

Expenses

Operating budget	\$ 3,244,010
Capital budget	201,300

Less

Transfers to other funds/internal transactions	(148,680)
Requisition	(190,530)
Debt principal payments	(81,460)
Capital expenditures	<u>(201,300)</u>

2,823,340

Annual Deficiency	<u>\$ (71,830)</u>
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