
GITZEL & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

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

VILLAGE OF CONSORT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

VILLAGE OF CONSORT

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

	Page
Auditors' Report	1
Statement of Financial Position	2
Statement of Operations	3
Statement of Changes in Net Financial Assets (Debt)	4
Statement of Cash Flows	5
Schedule 1 – Changes in Accumulated Surplus	6
Schedule 2 – Schedule of Tangible Capital Assets	7
Schedule 3 – Schedule of Property and Other Taxes	8
Schedule 4 – Schedule of Government Transfers	8
Schedule 5 – Schedule of Expenses by Object	9
Schedule 6 – Segmented Disclosure	10
Notes to Financial Statements	11 – 21

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

Village of Consort

We have audited the accompanying financial statements of the Village of Consort, which comprise the statement of financial position as at December 31, 2017, 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.

Management's 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 auditors' 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 Consort as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.


Stettler, Alberta
April 23, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF CONSORT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 29,202	\$ 131,070
Temporary Investments (Note 4)	462,089	444,424
Taxes and grants in place of taxes receivable (Note 5)	136,866	109,210
Local improvement taxes receivable	-	179,550
Trade and other receivables	77,310	80,991
Receivable from other governments	180,238	64,025
Inventory held for resale	117,075	211,076
Investment in Shirley McClellan Regional Water	<u>302,783</u>	<u>302,783</u>
	<u>1,305,563</u>	<u>1,523,129</u>
LIABILITIES		
Bank advances (Note 6)	432,682	-
Accounts payable and accrued liabilities	224,884	414,755
Deferred revenue (Note 7)	356,712	356,712
Tax surplus liability (Note 10)	-	19,942
Long term debt (Note 8)	2,330,121	2,272,344
Due to SMRWSC (Note 9)	<u>270,934</u>	<u>280,167</u>
	<u>3,615,333</u>	<u>3,343,920</u>
NET FINANCIAL ASSETS (DEBT)	<u>(2,309,770)</u>	<u>(1,820,791)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	15,671,695	14,004,296
Prepaid expenses	997	-
	<u>15,672,692</u>	<u>14,004,296</u>
ACCUMULATED SURPLUS (Schedule 1)	\$ <u>13,362,922</u>	\$ <u>12,183,505</u>
CONTINGENCIES – NOTE 17		

APPROVED ON BEHALF OF THE VILLAGE COUNCIL:

 _____ Mayor

 _____ Councillor

VILLAGE OF CONSORT

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
REVENUES			
Net taxes (Schedule 3)	\$ 1,029,752	\$ 1,028,534	\$ 1,026,931
Sales and user fees	860,236	825,542	786,206
Government transfers for operating (Schedule 4)	383,466	377,768	412,065
Rentals	55,630	55,815	55,702
Insurance proceeds	-	-	56,112
Investment income	5,675	8,419	5,759
Penalties and costs of taxes	31,400	27,363	33,039
Fines and costs	5,000	5,088	2,690
Licenses and permits	2,025	2,497	2,344
Franchise agreement	102,400	124,452	102,536
Gain on disposal of tangible capital assets	-	-	1,200
Other	<u>16,375</u>	<u>71,450</u>	<u>34,040</u>
Total Revenue	<u>2,491,959</u>	<u>2,526,928</u>	<u>2,518,624</u>
EXPENSES (Schedule 5)			
Legislative	62,180	74,024	45,013
Administration	369,754	593,842	382,194
Protective services	123,628	113,992	112,505
Transportation services	642,416	645,522	495,155
Water and wastewater	650,675	608,283	560,764
Waste management and recycling	128,039	127,544	127,606
Recreation and culture	576,615	661,808	641,315
Public Health and Welfare	81,417	77,149	72,347
Land use planning, zoning and development	<u>87,038</u>	<u>200,478</u>	<u>126,910</u>
Total Expenses	<u>2,721,762</u>	<u>3,102,642</u>	<u>2,563,809</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	(229,803)	(575,714)	(45,185)
OTHER			
Government transfers for capital (Schedule 4)	<u>7,655,600</u>	<u>1,755,131</u>	<u>2,147,336</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	7,425,797	1,179,417	2,102,151
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>12,183,505</u>	<u>12,183,505</u>	<u>10,081,354</u>
ACCUMULATED SURPLUS – END OF YEAR	\$ <u>19,609,302</u>	\$ <u>13,362,922</u>	\$ <u>12,183,505</u>

VILLAGE OF CONSORT

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>1,179,417</u>	\$ <u>2,102,151</u>
Acquisition of tangible capital assets	(2,140,130)	(3,137,108)
Loss on disposal of tangible capital assets	9,178	-
Amortization of tangible capital assets	458,315	435,244
Proceeds from sale of tangible capital assets	<u>5,238</u>	<u>-</u>
	<u>(1,667,399)</u>	<u>(2,701,864)</u>
Net use (acquisition) of prepaid assets	<u>(997)</u>	<u>-</u>
INCREASE (DECREASE) IN NET DEBT	(488,979)	(599,713)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>(1,820,791)</u>	<u>(1,221,078)</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u>(2,309,770)</u>	\$ <u>(1,820,791)</u>

VILLAGE OF CONSORT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 1,179,417	\$ 2,102,151
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	458,315	435,244
Loss on disposal of tangible capital asset	9,178	-
Non-cash changes to operations (net change)		
Taxes and grants in place of taxes receivables	(27,656)	(4,316)
Local improvement taxes receivable	179,550	3,938
Trade and other receivables	3,681	6,245
Receivable from other governments	(116,213)	(28,992)
Prepaid expenses	(997)	-
Land held for resale	94,001	27,249
Accounts payable and accrued liabilities	(189,871)	286,817
Deferred revenue	-	-
Tax surplus liability	(19,942)	20
Net cash provided by (used in) operating activities	<u>1,569,463</u>	<u>2,828,356</u>
INVESTING ACTIVITIES		
Acquisition of temporary investments	(17,665)	(94,424)
Investment in Shirley McClellan Regional Water	-	(103,395)
Net cash provided by (used in) investing activities	<u>(17,665)</u>	<u>(197,819)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,140,130)	(3,137,108)
Proceeds from sale of tangible capital assets	5,238	-
Net cash provided by (used in) capital activities	<u>(2,134,892)</u>	<u>(3,137,108)</u>
FINANCING ACTIVITIES		
Due to SMRWSC	(9,233)	97,479
Proceeds from long term debt	423,962	1,370,000
Repayment of long term debt	(366,185)	(1,141,983)
Net cash provided by (used in) financing activities	<u>48,544</u>	<u>325,496</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(534,550)	(181,075)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>131,070</u>	<u>312,145</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>(403,480)</u>	<u>131,070</u>
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Cash and cash equivalents (Note 3)	29,202	131,070
Bank advances (Note 5)	(432,682)	-
	<u>\$ (403,480)</u>	<u>\$ 131,070</u>

VILLAGE OF CONSORT

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE - BEGINNING OF YEAR	\$ 117,954	\$ 333,599	\$ 11,731,952	\$ 12,183,505	\$ 10,081,354
Excess (deficiency) of revenues over expenses	1,179,417	-	-	1,179,417	2,102,151
Transfer to restricted surplus	-	-	-	-	-
Transfer from restricted surplus	-	-	-	-	-
Current year funds used for tangible capital assets	(2,140,130)	-	2,140,130	-	-
Disposal of tangible capital assets	14,416	-	(14,416)	-	-
Annual amortization expense	458,315	-	(458,315)	-	-
Long term debt repaid	(366,185)	-	366,185	-	-
Long term debt advances	423,962	-	(423,962)	-	-
Change in accumulated surplus	<u>(430,205)</u>	<u>-</u>	<u>1,609,622</u>	<u>1,179,417</u>	<u>2,102,151</u>
BALANCE - END OF YEAR	<u>\$ (312,251)</u>	<u>\$ 333,599</u>	<u>\$ 13,341,574</u>	<u>\$ 13,362,922</u>	<u>\$ 12,183,505</u>

VILLAGE OF CONSORT

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
COST:								
BALANCE - BEGINNING OF YEAR	\$ 321,299	\$ 149,389	\$ 7,275,821	\$ 12,208,316	\$ 1,186,337	\$ 259,934	\$ 21,401,096	\$ 18,287,126
Acquisition of tangible capital assets	-	-	10,182	980,828	675,910	-	1,666,920	3,091,500
Construction in progress	-	-	8,500	464,710	-	-	473,210	45,608
Disposal of tangible capital assets	-	-	(48,053)	-	-	-	(48,053)	(23,138)
BALANCE - END OF YEAR	<u>321,299</u>	<u>149,389</u>	<u>7,246,450</u>	<u>13,653,854</u>	<u>1,862,247</u>	<u>259,934</u>	<u>23,493,173</u>	<u>21,401,096</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	145,751	1,696,907	4,466,907	922,081	165,154	7,396,800	6,984,694
Annual amortization	-	1,341	145,238	239,045	59,466	13,225	458,315	435,244
Accumulated amortization on disposals	-	-	(33,637)	-	-	-	(33,637)	(23,138)
BALANCE - END OF YEAR	<u>-</u>	<u>147,092</u>	<u>1,808,508</u>	<u>4,705,952</u>	<u>981,547</u>	<u>178,379</u>	<u>7,821,478</u>	<u>7,396,800</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>321,299</u>	<u>2,297</u>	<u>5,437,942</u>	<u>8,947,902</u>	<u>880,700</u>	<u>81,555</u>	<u>15,671,695</u>	<u>\$ 14,004,296</u>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 321,299</u>	<u>\$ 3,638</u>	<u>\$ 5,578,914</u>	<u>\$ 7,741,409</u>	<u>\$ 264,256</u>	<u>\$ 94,780</u>	<u>\$ 14,004,296</u>	

VILLAGE OF CONSORT

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	\$ 1,094,064	1,091,744	\$ 1,096,445
Linear property taxes	48,551	49,541	48,607
Government grants in place of property taxes	31,142	31,142	30,956
Special assessments	<u>50,288</u>	<u>50,400</u>	<u>44,258</u>
	<u>1,224,045</u>	<u>1,222,827</u>	<u>1,220,266</u>
REQUISITIONS			
Alberta School Foundation Fund	163,713	163,713	160,109
Acadia Senior's Foundation	<u>30,580</u>	<u>30,580</u>	<u>33,226</u>
	<u>194,293</u>	<u>194,293</u>	<u>193,335</u>
NET MUNICIPAL TAXES	<u>\$ 1,029,752</u>	<u>1,028,534</u>	<u>\$ 1,026,931</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
TRANSFER FOR OPERATING			
Federal government	\$ 1,000	\$ 1,000	\$ 1,000
Provincial government	113,581	113,581	142,536
Other local governments and boards	<u>268,885</u>	<u>263,187</u>	<u>268,529</u>
	<u>383,466</u>	<u>377,768</u>	<u>412,065</u>
TRANSFERS FOR CAPITAL			
Provincial government	<u>7,655,600</u>	<u>1,755,131</u>	<u>2,147,336</u>
	<u>7,655,600</u>	<u>1,755,131</u>	<u>2,147,336</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 8,039,066</u>	<u>\$ 2,132,899</u>	<u>\$ 2,559,401</u>

VILLAGE OF CONSORT

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
EXPENSES BY OBJECT			
Salaries, wages, and benefits	\$ 771,085	\$ 819,731	\$ 720,109
Contracted and general services	624,340	646,512	586,893
Materials, goods, supplies and utilities	630,916	724,892	552,093
Transfer to local agencies	86,881	88,168	76,482
Bank charges and short term interest	29,955	18,338	36,335
Interest on long term debt	47,272	40,505	59,666
Amortization of tangible capital assets	432,868	458,315	435,244
Loss on disposal of tangible capital assets	-	9,178	-
Other expenses	98,445	297,003	96,987
	<u>\$ 2,721,762</u>	<u>\$ 3,102,642</u>	<u>\$ 2,563,809</u>

VILLAGE OF CONSORT

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total
REVENUE							
Net municipal taxes	\$ 919,058	-	-	-	-	\$ 109,476	\$ 1,028,534
Government transfers	21,455	21,147	85,734	41,885	612,007	1,350,671	2,132,899
User fees and sales of goods	7,939	4,027	1,316	76,205	98,499	637,556	825,542
Rentals	29,243	26,572	-	-	-	-	55,815
Penalties & cost of taxes	21,338	-	-	-	-	6,025	27,363
Franchise agreements	122,161	-	-	-	2,291	-	124,452
Investment income	8,419	-	-	-	-	-	8,419
Fines & costs	4,163	925	-	-	-	-	5,088
Licenses & permits	350	447	-	1,700	-	-	2,497
Other revenues	40,969	2,320	100	600	26,411	1,050	71,450
	<u>1,175,095</u>	<u>55,438</u>	<u>87,150</u>	<u>120,390</u>	<u>739,208</u>	<u>2,104,778</u>	<u>4,282,059</u>
EXPENSES							
Contract and general services	62,876	3,854	128,820	39,731	79,128	332,103	646,512
Salaries and wages	260,763	25,653	132,659	26,072	236,129	138,455	819,731
Goods and supplies	62,467	35,231	209,759	107,860	188,385	121,190	724,892
Transfers to local agencies	-	4,620	-	72,698	10,850	-	88,168
Interest and bank charges	5,209	-	-	-	-	-	18,338
Long term debt interest	-	3,690	-	15,634	-	-	21,181
Loss on disposal of tangible capital assets	-	-	-	9,178	-	-	40,505
Other expenses	264,678	21,206	1,454	2,910	2,454	4,301	9,178
	<u>655,993</u>	<u>94,254</u>	<u>472,692</u>	<u>274,083</u>	<u>516,946</u>	<u>630,359</u>	<u>2,644,327</u>
NET REVENUE, BEFORE AMORTIZATION	<u>519,102</u>	<u>(38,816)</u>	<u>(385,542)</u>	<u>(153,693)</u>	<u>222,262</u>	<u>1,474,419</u>	<u>1,637,732</u>
Amortization expense	11,873	19,438	172,829	3,545	145,162	105,468	458,315
NET REVENUE (Note 18)	<u>\$ 507,229</u>	<u>\$ (58,254)</u>	<u>\$ (558,371)</u>	<u>\$ (157,238)</u>	<u>\$ 77,100</u>	<u>\$ 1,368,951</u>	<u>\$ 1,179,417</u>



VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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.

A significant area requiring the use of management's estimates was the estimated useful life of tangible capital assets, their remaining useful life and the amortization expense for the year. Significant changes in the useful life of tangible capital assets could result in changes in the asset valuation.

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.

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES – Continued

(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.

(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) Investments

Investments are recorded at the lower of cost or market value. When there has been a gain or loss on market value, the respective investment is adjusted and an unrealized gain or loss is recorded.

(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) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks, short term investments and operating lines of credit.

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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 and long term debt. 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) 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.

(l) 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.

(m) 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.

(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 CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets - Continued

(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 - 25
Buildings	50
Engineered structures	
Roadway system	20
Water system	75
Wastewater system	75
Machinery and equipment	10
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 CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

(e) Section PS 3280 - Asset Retirement Obligations

This section establishes standards on how to account for Asset Retirement Obligations and will apply in years beginning on or after April 1, 2021.

3. CASH AND CASH EQUIVALENTS

	2017	2016
Cash	\$ <u>29,202</u>	\$ <u>131,070</u>

Council has designated funds of \$333,599 (2016 - \$333,599) included in the above amounts as restricted surplus (Note 12).

Included in cash is a restricted balance of \$6,712 (2016 - \$6,712) related to deferred donations (Note 6).

4. TEMPORARY INVESTMENTS

	2017	2016
Guaranteed Investment Certificates	\$ <u>462,089</u>	\$ <u>444,424</u>

Guaranteed investment certificates are 12 to 16 month redeemable investments maturing between September 2017 and March 2018 and earning interest at rates between 1.46% and 1.75% per annum. Some of these investments are restricted in use as they represent \$350,000 received as part of an Alberta Partnership grant which has been deferred (Note 7).

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2017	2016
Current taxes and grants in place of taxes	\$ 86,992	\$ 86,239
Arrears taxes	<u>49,874</u>	<u>22,971</u>
	136,866	109,210
Less: Allowance for uncollectible taxes	<u>-</u>	<u>-</u>
	<u>\$ 136,866</u>	<u>\$ 109,210</u>

6. BANK ADVANCES

	2017	2016
Operating bank account overdraft	\$ 242,682	\$ -
Operating line of credit	<u>190,000</u>	<u>-</u>
	<u>432,682</u>	<u>-</u>

7. DEFERRED REVENUE

	2017	2016
Alberta Partnership Grant	\$ 350,000	\$ 350,000
Deferred donations for campground development	<u>6,712</u>	<u>6,712</u>
	<u>\$ 356,712</u>	<u>\$ 356,712</u>

8. LONG TERM DEBT

	2017	2016
Alberta Capital Finance Authority, due \$46,739 and \$17,489 semi annually including interest at 2.081% and 2.859%, maturing March 2026 and March 2036	\$ 1,224,648	\$ 1,322,088
Royal Bank of Canada loans, due \$15,865 monthly including interest between 2.09% and 2.92%, maturing between July 2018 and July 2029	474,011	650,256
Royal Bank of Canada construction loan, due interest only monthly at Prime -0.25%, maturing May 2018	98,962	-
Special Areas Board loans, due \$92,500 annually, maturing in 2023 and 2026. These loans are interest free and unsecured	<u>532,500</u>	<u>300,000</u>
	<u>\$ 2,330,121</u>	<u>\$ 2,272,344</u>

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

8. LONG TERM DEBT - Continued

Principal and interest payments are as follows:

	Principal	Interest	Total
2018	\$ 471,716	\$ 38,580	\$ 510,296
2019	333,601	32,099	365,700
2020	257,105	27,602	284,707
2021	208,794	24,524	233,318
2022	151,490	21,828	173,318
Thereafter	<u>907,415</u>	<u>103,355</u>	<u>1,010,770</u>
	<u>\$ 2,330,121</u>	<u>\$ 247,988</u>	<u>\$ 2,578,109</u>

Royal Bank of Canada loans are non-revolving term facilities secured by a general security agreement. They are reviewed annually and are due on demand.

Alberta Capital Finance Authority is issued on the credit and security of the village at large.

9. DUE TO SHIRLEY MCCLELLAN WATER SERVICE COMMISSION

Payable to Shirley McClellan Water Services Commission due \$7,764 semi-annually including interest at 3.0757% & 2.649%, maturing March & December 2042

	2017	2016
	\$ <u>270,934</u>	\$ <u>280,167</u>

Principal and interest payments are as follows:

	Principal	Interest	Total
2018	\$ 7,506	\$ 8,022	\$ 15,528
2019	7,731	7,797	15,528
2020	7,962	7,566	15,528
2021	8,201	7,327	15,528
2022	8,446	7,082	15,528
Thereafter	<u>231,088</u>	<u>76,911</u>	<u>307,999</u>
	<u>\$ 270,934</u>	<u>\$ 114,705</u>	<u>\$ 385,639</u>

10. TRUST FUNDS

The Village of Consort administers the following trust:

	2017	2016
Tax Sale Surplus	\$ _____	\$ <u>19,942</u>

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

11. 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:

	2017	2016
Total debt limit	\$ 3,788,892	\$ 3,777,936
Total debt	<u>2,330,121</u>	<u>2,272,344</u>
Amount of debt limit (exceeded) available	<u>1,458,771</u>	<u>1,505,592</u>
Debt servicing limit	631,482	629,656
Debt servicing	<u>510,296</u>	<u>378,834</u>
Amount of debt servicing limit (exceeded) available	\$ <u>121,186</u>	\$ <u>250,822</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.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible Capital assets (Schedule 2)	\$ 23,493,173	\$ 21,401,096
Accumulated Amortization (Schedule 2)	(7,821,478)	(7,396,800)
Long term debt (Note 7)	<u>(2,330,121)</u>	<u>(2,272,344)</u>
	\$ <u>13,341,574</u>	\$ <u>11,731,952</u>

13. RESTRICTED SURPLUS

	2016	Increases	Decreases	2017
Emergency Equipment	\$ 43,796	-	-	43,796
Protective Services	17,924	-	-	17,924
Roads and Streets	39,751	-	-	39,751
Water	12,056	-	-	12,056
Sewer	134,770	-	-	134,770
Garbage	36,000	-	-	36,000
Cemetery	1,000	-	-	1,000
Medical Professional	1	-	-	1
Parks and Recreation	45,901	-	-	45,901
Subdivision	<u>2,400</u>	-	-	<u>2,400</u>
Total	\$ <u>333,599</u>	\$ -	\$ -	\$ <u>333,599</u>

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

14. 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:

	2017			2016
	Salary(1)	Benefits & Allowances(2)	Total	Total
Mayor Owens	\$ 9,648	\$ 355	\$ 10,003	\$ 9,337
Councillor Kroeger	3,750	-	3,750	5,600
Councillor Ward	3,258	72	3,330	5,343
Councillor Romaniuk	3,973	100	4,073	6,584
Councillor Stillings	4,130	108	4,238	6,115
Councillor Eccles	2,465	-	2,465	-
Councillor Walters	2,745	114	2,859	-
Councillor Beier	2,750	114	2,864	-
Councillor Crann	2,658	110	2,768	-
Chief Administrative Officer	\$ 100,966	\$ 20,347	\$ 121,313	\$ 120,313

(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.

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Village of Consort participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 253,862 people and about 417 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Village of Consort is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess. Employees of the Village of Consort 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 and past service contributions by the Village of Consort to the Local Authorities Pension Plan in 2017 were \$51,619 (2016 - \$48,225). Total current and past service contributions by the employees of the Village of Consort to the Local Authorities Pension Plan in 2017 were \$56,312 (2016 - \$43,598).

At December 31, 2016, the Plan disclosed an actuarial deficiency of \$637 million.

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

16. COMMITMENTS

On April 1, 2016 the Village entered into a lease agreement with Her Majesty the Queen in right of Alberta as represented by the Minister of Infrastructure to lease certain facilities to Alberta Treasury Branches for a five year term with monthly lease payments of \$2,303.

The Village is committed to use future Municipal Sustainability Initiative grant funding for the repayment of long term debt associated with the construction of the residential and commercial subdivision developments.

The Village has committed to have \$60,000 of their annual recreation grant withheld as repayment of a loan outstanding with Special Areas. This loan is set to mature in 2023.

The Village is committed to rent a residential building to the RCMP over a 5 year term from 2016 – 2019 for \$1,500/month.

17. CONTINGENCIES

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

18. 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.

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 the market interest rate.

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

VILLAGE OF CONSORT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

18. FINANCIAL INSTRUMENTS – Continued

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 the 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.

Line of Credit

As of December 31, 2017 the Village had available a short term bank line of credit of \$300,000 (2016 - \$300,000), of which \$190,000 (2016 - \$NIL) had been drawn down. Lines of credit are revolving operating and term facilities that bear interest at prime minus 0.25%. They are reviewed annually, secured by a general security agreement, and due on demand.

19. SEGMENTED DISCLOSURE

The Village of Consort 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.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.