



**GREGORY,
HARRIMAN
& ASSOCIATES LLP**

Village of Carbon
Financial Statements
For the Year Ended December 31, 2016

VILLAGE OF CARBON

DECEMBER 31, 2016

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**GREGORY,
HARRIMAN
& ASSOCIATES LLP**

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the
Village of Carbon

We have audited the accompanying consolidated financial statements of the Village of Carbon, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and 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 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 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 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 of material misstatement.

An audit involves 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 consolidated financial statement presentation.

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 Carbon as at December 31, 2016 and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Strathmore, Alberta
April 24, 2017

Gregory, Harriman & Assoc. LLP
Gregory, Harriman & Associates LLP

Village of Carbon
Consolidated Statement of Financial Position
As at December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,210,792	\$ 1,325,159
Taxes and grants in place receivable <i>(Note 3)</i>	58,690	53,137
Trade and other accounts receivable <i>(Note 4)</i>	65,752	67,344
Goods and Services Tax receivable	16,924	4,756
Investments <i>(Note 5)</i>	133,637	132,316
Land inventory held for resale	198,252	198,252
Other financial assets <i>(Note 6)</i>	5,184	5,177
	1,689,231	1,786,141
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 7)</i>	76,851	42,772
Deposit liabilities <i>(Note 8)</i>	8,983	3,265
Deferred revenue <i>(Note 9)</i>	763,470	830,449
Long term debt <i>(Note 11, 12)</i>	473,236	628,236
	1,322,540	1,504,722
NET FINANCIAL ASSETS	366,691	281,419
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2) <i>(Note 13)</i>	4,277,017	4,234,901
	4,277,017	4,234,901
ACCUMULATED SURPLUS (Schedule 1) <i>(Note 15)</i>	\$ 4,643,708	\$ 4,516,320

CONTINGENCIES *(Note 17)*

Approved by : _____ Mayor _____ Chief Administrative Officer

Village of Carbon
Consolidated Statement of Operations
For the Year Ended December 31, 2016

	<i>Budget</i> <i>(Unaudited)</i>	2016	2015
REVENUE			
Net municipal property taxes (Schedule 3)	\$ 408,955	\$ 409,430	\$ 402,045
Sale of goods and user charges	346,130	348,688	334,145
Penalties and costs on taxes	15,000	15,605	22,579
Licenses and permits	2,950	2,259	2,633
Fines distribution	500	298	653
Franchise and concession contracts	35,500	19,456	35,130
Investment income	11,000	7,841	9,671
Rentals	4,000	2,313	3,887
Government transfers (Schedule 4)	270,009	280,377	227,420
Other revenues	3,450	5,441	32,332
Parkview Lodge	-	46,171	57,196
TOTAL REVENUE	<u>1,097,494</u>	<u>1,137,879</u>	<u>1,127,691</u>
EXPENDITURES (Schedule 5)			
Legislative	40,750	32,314	22,300
Administration	201,010	200,615	188,027
Protective services	64,808	87,150	73,033
Roads, streets, walks and lighting	117,570	206,151	214,980
Water supply and distribution (Note 18)	188,750	261,400	202,112
Wastewater treatment and disposal	55,250	94,225	102,630
Waste management	48,365	49,579	45,767
Planning and development	16,212	21,587	24,133
Public health and welfare	8,096	8,605	7,321
Recreation, parks and culture	185,526	224,247	249,560
Loss on disposal of asset	-	1,917	-
Parkview Lodge	-	47,022	66,821
TOTAL EXPENSES	<u>926,336</u>	<u>1,234,812</u>	<u>1,196,684</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	171,158	(96,933)	(68,993)
OTHER			
Government transfers for capital (Schedule 4)	267,290	224,321	11,821
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	438,448	127,388	(57,172)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,516,320	4,516,320	4,573,492
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 4,954,768</u>	<u>\$ 4,643,708</u>	<u>\$ 4,516,320</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

Village of Carbon
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2016

	<i>Budget</i> <i>(Unaudited)</i>	2016	2015
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 438,448</u>	<u>\$ 127,388</u>	<u>\$ (57,172)</u>
Acquisition of tangible capital assets (Schedule 2)	(363,447)	(247,046)	(27,072)
Proceeds on disposal of tangible capital assets	-	3,809	-
Amortization of tangible capital assets (Schedule 2)	-	199,204	206,251
Loss on disposal of assets	-	1,917	-
	<u>(363,447)</u>	<u>(42,116)</u>	<u>179,179</u>
INCREASE IN NET ASSETS	<i>75,001</i>	85,272	122,007
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>281,419</u>	<u>281,419</u>	<u>159,412</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 356,420</u>	<u>\$ 366,691</u>	<u>\$ 281,419</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

Village of Carbon
Consolidated Statement of Changes in Cash Flows
For the Year Ended December 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess (Shortfall) of revenue over expenses	\$ 127,388	\$ (57,172)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	199,204	206,251
Loss on sale of tangible capital assets	1,917	-
	328,509	149,079
Non-cash charges to operations (net change):		
Decrease (Increase) in taxes and grants in place receivable	(5,553)	25,070
Decrease (Increase) in trade and other receivables	1,592	5,503
Decrease (Increase) in Goods and Services Tax receivable	(12,167)	14,840
Decrease (Increase) in other financial assets	(8)	(6)
Increase (Decrease) in accounts payable and accrued liabilities	34,079	63
Increase (Decrease) in deposit liabilities	5,718	-
Increase (Decrease) in deferred revenue	(66,979)	393,899
	285,191	588,448
Capital		
Acquisition of tangible capital assets	(247,046)	(27,072)
Sale of tangible capital asset	3,809	-
Cash applied to capital transactions	(243,237)	(27,072)
Investing		
Decrease (Increase) in restricted cash or cash equivalents	66,979	(393,899)
Decrease (Increase) in investments	(1,321)	(1,891)
Cash provided by (applied to) investing transactions	65,658	(395,790)
Financing Activities		
Long term debt repaid	(155,000)	(73,782)
Long term debt issued	-	-
Cash provided by (applied to) financing transactions	(155,000)	(73,782)
Change in Cash and Cash Equivalents, during the year	(47,388)	91,804
Cash and Cash Equivalents, beginning of the year	494,710	402,906
Cash and Cash Equivalents, end of the year	\$ 447,322	\$ 494,710
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	\$ 1,210,792	\$ 1,325,159
Less: restricted portion of cash and temporary investments (Note 2)	(763,470)	(830,449)
	\$ 447,322	\$ 494,710

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

Village of Carbon
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2016
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 364,532	\$ 447,679	\$ 3,704,109	\$ 4,516,320	\$ 4,573,492
Excess (Shortfall) of revenue over expenses	127,388	-	-	127,388	(57,172)
Unrestricted funds designated for future use	-	-	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(247,046)	-	247,046	-	-
Annual amortization expense	199,204	-	(199,204)	-	-
Capital long term debt repaid	(114,933)	-	114,933	-	-
Disposal of tangible capital assets	5,726	-	(5,726)	-	-
Loan proceeds received	-	-	-	-	-
Change in accumulated surplus	(29,661)	-	157,049	127,388	(57,172)
BALANCE, END OF YEAR	\$ 334,871	\$ 447,679	\$ 3,861,158	\$ 4,643,708	\$ 4,516,320

The accompanying notes form an integral part of these financial statements.
 Gregory, Harriman & Associates LLP

Village of Carbon
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2016
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
COST:								
BALANCE, BEGINNING OF YEAR	\$ 593,071	\$ 331,827	\$ 902,065	\$ 4,741,964	\$ 463,903	\$ 272,017	\$ 7,304,847	\$ 7,277,775
Acquisition of tangible capital assets	15,000	-	16,465	-	10,667	-	42,132	27,072
Construction-in-process	-	-	204,914	-	-	-	204,914	-
Disposal of tangible capital assets	(5,726)	-	-	-	-	-	(5,726)	-
BALANCE, END OF YEAR	602,345	331,827	1,123,444	4,741,964	474,570	272,017	7,546,167	7,304,847
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	128,698	590,716	1,896,263	261,847	192,422	3,069,946	2,863,695
Annual amortization	-	12,395	21,807	105,865	39,811	19,326	199,204	206,251
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	141,093	612,523	2,002,128	301,658	211,748	3,269,150	3,069,946
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 602,345	\$ 190,734	\$ 510,921	\$ 2,739,836	\$ 172,912	\$ 60,269	\$ 4,277,017	\$ 4,234,901
2015 Net Book Value of Tangible Capital Assets	\$ 593,071	\$ 203,129	\$ 311,349	\$ 2,845,701	\$ 202,056	\$ 79,595	\$ 4,234,901	

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 Gregory, Harriman & Associates LLP

Village of Carbon
Schedule of Property and Other Taxes
For the Year Ended December 31, 2016
(Schedule 3)

	<i>Budget (Unaudited)</i>	2016	2015
TAXATION			
Real property taxes	\$ 504,260	\$ 504,735	\$ 498,502
Linear property taxes	9,394	9,394	9,293
Government grants in place of property taxes	-	-	-
	<u>513,654</u>	<u>514,129</u>	<u>507,795</u>
REQUISITIONS			
Alberta School Foundation Fund	104,031	104,031	105,080
Kneehill Housing Corporation	668	668	670
	<u>104,699</u>	<u>104,699</u>	<u>105,750</u>
NET MUNICIPAL TAXES	<u>\$ 408,955</u>	<u>\$ 409,430</u>	<u>\$ 402,045</u>

Village of Carbon
Schedule of Government Transfers
For the Year Ended December 31, 2016
(Schedule 4)

	<i>Budget</i> <i>(Unaudited)</i>	2016	2015
TRANSFERS FOR OPERATING			
Provincial Government	\$ 135,379	\$ 152,704	\$ 105,181
Federal Government	-	-	-
Other Local Governments	<u>134,630</u>	<u>127,673</u>	<u>122,239</u>
	<u>270,009</u>	<u>280,377</u>	<u>227,420</u>
TRANSFERS FOR CAPITAL			
Provincial Government	<u>267,290</u>	<u>224,321</u>	<u>11,821</u>
	<u>267,290</u>	<u>224,321</u>	<u>11,821</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 537,299</u>	<u>\$ 504,698</u>	<u>\$ 239,241</u>

Village of Carbon
Schedule of Consolidated Expenditures by Object
For the Year Ended December 31, 2016
(Schedule 5)

	<i>Budget</i> <i>(Unaudited)</i>	2016	2015
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits <i>(Note 16)</i>	\$ 310,292	\$ 309,164	\$ 286,422
Contracted and general services	321,992	449,923	388,177
Materials, goods, supplies and utilities	211,527	196,240	238,656
Transfers to individuals and organizations	47,058	56,656	45,572
Interest on capital long term debt	11,567	16,726	20,040
Amortization of tangible capital assets	-	199,204	206,251
Other expenses	23,900	6,899	11,566
	<u>\$ 926,336</u>	<u>\$ 1,234,812</u>	<u>\$ 1,196,684</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

Village of Carbon
Notes to Financial Statements
December 31, 2016

1) Significant Accounting Policies

The Village of Carbon (the "Municipality") is a Municipality in the Province of Alberta. The consolidated financial statements are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of these accounting policies adopted by the Village are as follows:

A. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue 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 municipality and are, therefore, accountable to the Council for the administration of their financial resources. Included with the municipality are the following:

Parkview Lodge of Carbon

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

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 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 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. Actual results could differ from those estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets is an area where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

D. Investments

Investments are recorded at cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. 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.

E. Requisition Over-levy and Under-levy

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 excess collection is accrued as a liability and property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected as property tax revenue.

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

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Village of Carbon
Notes to Financial Statements
December 31, 2016

1) Significant Accounting Policies (continued)

F. Tax Revenue

Tax revenue 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.

G. 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.

H. 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 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.

I. Land Inventory Held for Resale

Land inventory 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective functions.

J. 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 revenue over expenses, provides the consolidated Change in Net Financial Assets 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 asset, is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	10-75
Buildings	20-50
Engineered structures	
Roadway system	10-85
Water system	25-75
Wastewater system	45-75
Machinery and equipment	5-40
Vehicles	5-15

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the 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 Carbon
Notes to Financial Statements
December 31, 2016

2) Cash and Temporary Investments	<u>2016</u>	<u>2015</u>
Petty cash	\$ 50	\$ 50
Cash	291,929	647,070
Temporary investments	918,813	678,039
	<u>\$ 1,210,792</u>	<u>\$ 1,325,159</u>

Temporary investments are comprised of a Term deposit and Treasury-Bill savings accounts that earned an average of 0.80% interest. Temporary investments are short term deposits with original maturities of three months or less, and are redeemable at any time.

The Village received Government grants and donations that are restricted in their use and are to be utilized as funding for capital projects. Since the projects have not been completed for which the funding has been received, \$763,470 (2015 - \$830,449) is not available for general use by the Village (Note 9).

The Village of Carbon has an overdraft limit of \$100,000, bearing interest at prime with an effective rate of 3.00%, of which \$100,000 remains unused at December 31, 2016.

3) Taxes and Grants in Place Receivable	<u>2016</u>	<u>2015</u>
Current taxes and grants in place	\$ 51,605	\$ 35,935
Tax arrears and grants in place	7,085	17,202
	<u>\$ 58,690</u>	<u>\$ 53,137</u>

4) Trade and Other Accounts Receivable	<u>2016</u>	<u>2015</u>
Water and sewer receivable	\$ 45,699	\$ 45,305
Accounts receivable - cost recovery	18,230	22,039
Accounts receivable - other	1,823	-
	<u>\$ 65,752</u>	<u>\$ 67,344</u>

5) Investments	<u>2016</u>	<u>2015</u>
Term Deposit	\$ 133,637	\$ 132,316

The term deposit represents a Mountain View Credit Union investment certificate that bears interest of 1.10% and matures July 20, 2017.

6) Other Financial Assets	<u>2016</u>	<u>2015</u>
Alberta Capital Financial Authority shares	\$ 10	\$ 10
Mountain View Credit Union shares	5,174	5,167
	<u>\$ 5,184</u>	<u>\$ 5,177</u>

7) Accounts Payable and Accrued Liabilities	<u>2016</u>	<u>2015</u>
Trade accounts payable	\$ 46,441	\$ 13,525
Accrued liabilities	18,950	18,100
Accrued vacation pay payable	11,460	11,147
	<u>\$ 76,851</u>	<u>\$ 42,772</u>

The vacation liability represents the vacation that employees have earned and are entitled to within the next budgetary year.

**Village of Carbon
Notes to Financial Statements
December 31, 2016**

8) Deposit Liabilities	2016	2015
Parkview deposit	\$ 3,390	\$ 3,265
Other deposits	5,593	-
	\$ 8,983	\$ 3,265
9) Deferred Revenue	2016	2015
Municipal Sustainability Initiative - Capital	\$ 549,785	\$ 550,002
Alberta Community Resiliency Program	143,183	141,067
Basic Municipal Transportation Grant	38,437	38,083
Federal Gas Tax Fund	20,967	38,292
Funds for Future Skating Rink	7,398	7,398
Carbon Centennial Donations	3,700	3,700
Regional Collaborative Program	-	47,500
Community Facility Enhanced Program (Parkview Lodge of Carbon)	-	4,407
	\$ 763,470	\$ 830,449

Municipal Sustainability Initiative

The Municipal Sustainability Initiative ("MSI") is a funding program aimed at providing financial support for critical core and community infrastructure projects and includes incentives to encourage collaboration and cooperation between neighbouring municipalities. This population-based funding program includes operating, capital and affordable housing components. The balance represents funds brought forward from 2015 of \$550,002, plus accrued interest of \$2,407, plus funds received by the Village in 2016 of \$217,290 and funds spent of \$219,914.

Alberta Community Resiliency Program

This grant is a provincially funded program that provides support in the development of long term resilience to flood and drought events. Capital funds of \$175,500 were received in 2015 from the province of Alberta. The balance represents the unexpended portion of the grant received in 2015 plus \$2,116 of accrued interest from 2016.

Basic Municipal Transportation Grant

The Basic Municipal Transportation Grant ("BMTG") provides cost-shared grants to municipalities to assist with the provision of lasting street improvements, to enhance life in rural centers and to serve to attract the decentralization of industry. Approved projects are eligible for 75 percent provincial funding for construction and engineering costs. The balance represents funds brought forward from 2015 of \$38,083 plus accrued interest of \$354.

Federal Gas Tax Fund

The Federal Gas Tax Fund is a per capita grant to assist municipalities in addressing their sustainable municipal capital infrastructure needs. The program is supported through the allocation to Alberta Municipalities of a portion of the federal gasoline tax. Funding under this program is subject to the province receiving the funding from the federal government. The program provides conditional grants for capital-related projects which meet the program eligibility criteria. There is no requirement for a municipal funding contribution to projects accepted under this program. The balance represents funds brought forward from 2015 and funds spent of \$17,325.

Regional Collaboration Program

This grant is a provincially funded program that provides support to the collaboration of the Municipality and Kneehill County to develop a multi-use recreation facility concept design. Capital funds of \$47,500 were received in 2014 from the province of Alberta. These funds were repaid in 2016 as project did not take place.

All of the unexpended funds held in deferred revenue are supported by temporary and short term investments as noted in Note 2.

Village of Carbon
Notes to Financial Statements
December 31, 2016

10) 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.

11) Long Term Debt

	2016	2015
Mountain View Credit Union loan	\$ 473,236	\$ 534,903
Alberta Treasury Branch loan	-	93,333
	473,236	628,236
Less: Current portion	(61,667)	(75,001)
	\$ 411,569	\$ 553,235

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 61,667	\$ 14,197	\$ 75,864
2018	61,667	12,347	74,014
2019	61,667	10,497	72,164
2020	61,667	8,647	70,314
2021	61,667	6,797	68,464
Thereafter	164,901	9,291	174,192
	\$ 473,236	\$ 61,776	\$ 535,012

The bank loan payable at the Mountain View Credit Union bears an interest rate of Mountain View Credit Union prime less 0.5% with an effective rate of 3% and is payable monthly.

The bank loan payable to ATB Financial bears an interest rate at prime with an effective rate of 2.7% and is payable annually. Principal payment due annually is \$6,667. Loan was repaid in full in 2016.

Interest on long term debt amounted to \$17,256 (2015 - \$20,953).

The Village's total cash payments for interest in 2016 were \$17,256 (2015 - \$20,953).

12) Debt Limits

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

	2016	2015
Total debt limit (1.5 * total eligible revenue)	\$ 1,637,561	\$ 1,605,743
Total long term debt (Note 11)	473,236	628,236
Unused total debt limit capacity	\$ 1,164,325	\$ 977,507
Service on debt limit (0.25 * total eligible revenue)	\$ 272,927	\$ 267,624
Service on debt (next years principal and interest due)	75,864	93,684
Unused service on debt limit capacity	\$ 197,063	\$ 173,940

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 consolidated financial statements must be interpreted as a whole.

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13) Tangible Capital Assets	2016	2015
Land	\$ 602,345	\$ 593,071
Land improvements	190,734	203,129
Buildings	510,922	311,349
Engineered structures		
Roadway system	1,050,754	1,109,849
Water distribution system	618,242	631,887
Wastewater treatment system	1,070,839	1,103,965
Machinery, equipment and furnishings	172,912	202,056
Vehicles	60,269	79,595
	\$ 4,277,017	\$ 4,234,901

14) Equity in Tangible Capital Assets	2016	2015
Tangible capital assets (Schedule 2)	\$ 7,546,167	\$ 7,304,847
Accumulated amortization (Schedule 2)	(3,269,150)	(3,069,946)
Long term debt - Capital	(415,859)	(530,792)
	\$ 3,861,158	\$ 3,704,109

15) Accumulated Surplus

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

	2016	2015
Unrestricted surplus (Schedule 1)	\$ 334,871	\$ 364,532
Restricted surplus (reserves)		
Recreation Board - Operating	45,996	45,996
General Administrative - Capital	56,561	56,561
General Contingency - Operating	281,112	281,112
Fire Equipment - Capital	64,010	64,010
Equity in tangible capital assets (Note 14)	3,861,158	3,704,109
	\$ 4,643,708	\$ 4,516,320

16) Salary and Benefits Disclosure

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

	Salary (1)	Benefits & Allowances (2)	Total 2016	Total 2015
Councillor Bramley, K.	\$ 4,475	\$ -	\$ 4,475	\$ 2,100
Councillor Boyd, H.	7,375	-	7,375	1,000
Councillor Ekman, R.	-	-	-	2,950
Councillor Garrett, C.	2,675	-	2,675	1,800
Councillor Morgan, M.	2,575	-	2,575	1,600
Councillor Nash, G.	5,850	-	5,850	3,725
Chief Administrative Officer (Westgate)	23,440	2,570	26,010	62,335
Chief Administrative Officer (McClarty)	36,213	3,848	40,061	-
	\$ 82,603	\$ 6,418	\$ 89,021	\$ 75,510

(1) Salary includes regular base pay and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

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17) Contingencies

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

18) Related Party Transactions

The Aqua 7 Regional Water Commission has been identified as a related party. The Village of Carbon has entered into an agreement with the Commission for a supply of water service.

Service fees are based on budgeted operating costs of the Commission. Water purchases are based on actual water consumption during the year. Fees and rates are reviewed by the Commission on an annual basis.

Service fees and water purchases paid to the Commission for 2016 were \$165,346 (2015 - \$112,830) for water purchases and \$13,026 (2015 - \$13,026) for the Village of Carbon's share of deficit.

Amount payable to the Commission at December 31, 2016 is \$17,039 (2015 - \$9,855).

19) Financial Instruments

The Village's financial instruments consist of cash and temporary investments, taxes and grants in place receivable, trade and other accounts receivable, investments, other financial assets, accounts payable and accrued liabilities, deposit liabilities and long term debt. Unless otherwise noted, the fair values of these financial instruments approximates their carrying values.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Village is exposed to financial risk from interest rate differentials between market interest rates and the rates used on their financial instruments.

Credit Risk

The Village of Carbon is subject to credit risk with respect to taxes and grants in place of taxes receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village of Carbon 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.

20) Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

21) Approval of Financial Statements

Council and Management have approved these financial statements.