

VILLAGE OF CREMONA

**Financial Statements and
Independent Auditor's Report**

December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the Village of Cremona

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Village of Cremona as at December 31, 2016, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer County, Alberta
April 18, 2017

Collins Barrow Red Deer LLP

Chartered Professional Accountants

VILLAGE OF CREMONA
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VILLAGE OF CREMONA
Statement of Financial Position
December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments (note 3)	\$ 1,049,793	1,332,433
Taxes and grants in place of taxes receivable (note 4)	29,681	68,701
Trade and other receivables	322,702	255,851
Land held for resale	24,398	24,398
Investments (note 5)	<u>11,543</u>	<u>11,543</u>
	<u>1,438,117</u>	<u>1,692,926</u>
LIABILITIES		
Accounts payable and accruals	64,688	70,871
Deposit liabilities (note 6)	26,740	26,640
Capital lease obligation (note 7)	20,151	34,377
Long-term debt (note 8)	<u>300,000</u>	<u>-</u>
	<u>411,579</u>	<u>131,888</u>
Contingency (note 9)		
NET FINANCIAL ASSETS	<u>1,026,538</u>	<u>1,561,038</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (page 6)	4,909,517	4,240,688
Prepaid expenses	<u>8,267</u>	<u>9,478</u>
	<u>4,917,784</u>	<u>4,250,166</u>
ACCUMULATED SURPLUS (note 10)	<u>\$ 5,944,322</u>	<u>5,811,204</u>

Approved by Council:

 Mayor

 Chief Administrative Officer

VILLAGE OF CREMONA
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2016

	Budget (unaudited)	2016	2015
Revenue			
Net municipal taxes (page 7)	\$ 380,354	381,187	374,766
User fees and sales of goods	219,100	214,491	224,672
Government transfers for operating (page 8)	139,418	69,187	58,356
Franchise and concession contracts	53,000	52,013	52,994
Investment income	15,000	18,010	15,098
Other	26,675	15,630	18,918
Penalties and cost of taxes	5,000	5,040	5,043
Licenses and permits	11,300	2,652	4,963
	<u>849,847</u>	<u>758,210</u>	<u>754,810</u>
Expenses (page 9)			
Utilities	233,090	366,858	413,132
Administration	323,700	288,524	271,643
Public works	145,660	229,744	229,590
Community services	78,005	74,340	60,039
Protective services	73,040	41,880	40,002
Parks and recreation	20,875	22,821	17,877
Legislative	21,420	20,176	21,584
Subdivision land and development	12,300	18,476	9,082
Culture	8,060	6,714	6,680
	<u>916,150</u>	<u>1,069,533</u>	<u>1,069,629</u>
Deficiency of revenue over expenses before the following	(66,303)	(311,323)	(314,819)
Other income			
Government transfers for capital (page 8)	<u>426,913</u>	<u>444,441</u>	<u>1,298,279</u>
Excess of revenue over expenses	360,610	133,118	983,460
Accumulated surplus, beginning of year	<u>5,811,204</u>	<u>5,811,204</u>	<u>4,827,744</u>
Accumulated surplus, end of year	<u>\$ 6,171,814</u>	<u>5,944,322</u>	<u>5,811,204</u>

VILLAGE OF CREMONA
Statement of Changes in Net Financial Assets
Year Ended December 31, 2016

	Budget (unaudited)	2016	2015
Excess of revenue over expenses	\$ 360,610	133,118	983,460
Acquisition of tangible capital assets	(1,062,000)	(847,974)	(391,357)
Amortization of tangible capital assets	-	179,145	135,784
Change in prepaid expenses	-	1,211	320
Increase (decrease) in net financial assets	(701,390)	(534,500)	728,207
Net financial assets, beginning of year	<u>1,561,038</u>	<u>1,561,038</u>	<u>832,831</u>
Net financial assets, end of year	<u>\$ 859,648</u>	<u>\$ 1,026,538</u>	<u>1,561,038</u>

VILLAGE OF CREMONA
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from ratepayers, services and agencies	\$ 1,156,810	1,406,210
Cash paid to suppliers, employees and agencies	(895,262)	(962,647)
Interest received	<u>18,010</u>	<u>15,098</u>
	<u>279,558</u>	<u>458,661</u>
Capital activities		
Purchase of tangible capital assets	<u>(847,974)</u>	<u>(391,356)</u>
Financing activities		
Proceeds from long-term debt	300,000	-
Repayment of capital lease obligation	(14,224)	(14,224)
Change in investments	<u>-</u>	<u>(308)</u>
	<u>285,776</u>	<u>(14,532)</u>
Increase (decrease) in cash	(282,640)	52,773
Cash, beginning of year	<u>1,332,433</u>	<u>1,279,660</u>
Cash, end of year	<u>\$ 1,049,793</u>	<u>1,332,433</u>

VILLAGE OF CREMONA

Schedule of Changes in Accumulated Surplus Year Ended December 31, 2016

	Unrestricted	Reserves	Equity in Tangible Capital Assets	2016	2015
Balance, beginning of year	\$ 78,195	1,526,698	4,206,311	5,811,204	4,827,744
Excess of revenue over expenses	133,118	-	-	133,118	983,460
Unrestricted funds designated for future use	(484,391)	484,391	-	-	-
Reserves used for operating expense	167,000	(167,000)	-	-	-
Reserves used for tangible capital assets	-	(488,887)	488,887	-	-
Current year funds used for tangible capital assets	(59,087)	-	59,087	-	-
Annual amortization expense	179,145	-	(179,145)	-	-
Capital leases repaid	(14,224)	-	14,224	-	-
Balance, end of year	\$ (244)	1,355,202	4,589,364	5,944,322	5,811,204

VILLAGE OF CREMONA
Schedule of Tangible Capital Assets
Year Ended December 31, 2016

	Land improvements	Land	Buildings	Engineering structures	Machinery and equipment		2015
					Automotive	2016	
Cost							
Beginning balance	\$ 111,940	80,161	82,536	5,819,167	198,198	25,000	5,925,645
Additions	-	-	-	750,085	67,516	-	391,357
Assets under construction	-	-	30,373	-	-	-	-
Ending balance	<u>111,940</u>	<u>80,161</u>	<u>112,909</u>	<u>6,569,252</u>	<u>265,714</u>	<u>25,000</u>	<u>6,317,002</u>
Accumulated amortization							
Beginning balance	-	41,165	56,223	1,905,773	69,403	3,750	1,940,530
Amortization	-	2,470	1,651	147,907	24,617	2,500	135,784
Ending balance	-	<u>43,635</u>	<u>57,874</u>	<u>2,053,680</u>	<u>94,020</u>	<u>6,250</u>	<u>2,076,314</u>
Net book value	<u>\$ 111,940</u>	<u>36,526</u>	<u>55,035</u>	<u>4,515,572</u>	<u>171,694</u>	<u>18,750</u>	<u>4,240,688</u>
2015 net book value	\$ 111,940	38,996	26,313	3,913,394	128,795	21,250	4,240,688

VILLAGE OF CREMONA
Schedule of Property and Other Taxes
Year Ended December 31, 2016

	Budget (unaudited)	2016	2015
Taxation			
Real property taxes	\$ 399,173	398,088	387,830
Non-residential and linear property taxes	<u>106,654</u>	<u>108,034</u>	<u>107,905</u>
	<u>505,827</u>	<u>506,122</u>	<u>495,735</u>
Requisitions			
Alberta school foundation fund	118,392	118,392	114,065
Mountain View Seniors Housing	<u>7,081</u>	<u>6,543</u>	<u>6,904</u>
	<u>125,473</u>	<u>124,935</u>	<u>120,969</u>
Net municipal taxes	\$ <u>380,354</u>	<u>381,187</u>	<u>374,766</u>

VILLAGE OF CREMONA
Schedule of Government Transfers
Year Ended December 31, 2016

	Budget (unaudited)	2016	2015
Operating transfers			
Provincial Government	\$ 47,048	12,898	11,554
Other Local Governments	<u>92,370</u>	<u>56,289</u>	<u>46,802</u>
	<u>139,418</u>	<u>69,187</u>	<u>58,356</u>
Capital transfers			
Provincial Government	<u>426,913</u>	<u>444,441</u>	<u>1,298,279</u>
	<u>\$ 566,331</u>	<u>513,628</u>	<u>1,356,635</u>

VILLAGE OF CREMONA
Schedule of Expenses by Object
Year Ended December 31, 2016

	Budget (unaudited)	2016	2015
Contracted and purchased services	\$ 343,310	350,445	353,370
Salaries, wages, and benefits	376,700	349,106	334,671
Amortization of tangible capital assets	-	179,145	135,784
Materials, goods, supplies, and utilities	108,150	142,448	152,611
Grants to other organizations	86,990	46,781	87,779
Bank charges and short term interest	-	1,608	1,526
Bad debts	<u>1,000</u>	<u>-</u>	<u>3,888</u>
	\$ 916,150	1,069,533	1,069,629

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

1. Nature of Activities

The Village of Cremona is incorporated under the Municipal Government Act and carries out the administration and operation of the village.

2. Significant Accounting Policies

The financial statements of the Village of Cremona are the representations of management prepared in accordance with public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted are as follows:

Reporting entity

The financial statements reflect the assets, liabilities, revenues, expenses and changes in fund balances in financial position of the reporting entity.

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 recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

i. Revenue

Revenue is recognized as they are earned and measurable. Funds from external parties and earnings thereon, restricted by agreement or legislation are accounted for as deferred revenue until the related expenses are incurred, services performed or tangible capital assets are acquired.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

2. Significant Accounting Policies (Continued)

ii. 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 estimated of the amounts can be determined.

iii. 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.

iv. Expenses

Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant areas requiring the use of estimates include: estimated useful lives of tangible capital assets and valuation of tangible capital assets. Actual results could differ from those estimates.

Investments

Investments are recorded at amortized cost. 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.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

2. Significant Accounting Policies (Continued)

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 the 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.

Land held 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 tangible capital assets under their respective functions.

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 changes in net financial assets for the year. Non-financial assets consist of the following:

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

Land improvements	10 to 45 years
Engineering structures	
Water system	5 to 65 years
Wastewater system	45 to 75 years
Other engineered structures	45 to 75 years
Machinery and equipment	5 to 40 years
Buildings	25 to 50 years
Automotive	10 to 40 years

One half the annual amortization is changed in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

2. Significant Accounting Policies (Continued)

ii. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefit and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Cultural and historical tangible capital assets

Cultural and historical assets are not recorded in these financial statements.

v. Prepaid expenses

Expenses paid in advance where services have not been performed or materials have not been received.

3. Cash and temporary investments	2016	2015
Cash	\$ 1,004,335	1,287,050
Temporary investments	<u>45,458</u>	<u>45,383</u>
	<u>\$ 1,049,793</u>	<u>1,332,433</u>

Temporary investments are comprised of various Mountain View Credit Union Ltd. treasury bill interest savings accounts totaling \$45,458 (2015 - \$45,383) that earn 1% interest per year, payable monthly.

Contained in the cash account is \$26,740 (2015 - \$26,640) that is restricted and is not available for general use by the Village (Note 6).

The Village has an undrawn \$250,000 operating line of credit, bearing interest at the bank prime rate (currently 2.70%).

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

4. Taxes and Grants in Place of Taxes Receivable	2016	2015
Current taxes and grants in place of taxes receivable	\$ 25,807	46,062
Arrears taxes	6,374	25,139
Allowance for doubtful accounts	<u>(2,500)</u>	<u>(2,500)</u>
	<u>\$ 29,681</u>	<u>68,701</u>

5. Investments

Investments consist of shares in Mountain View Credit Union.

6. Deposit Liabilities

The Village maintains utility deposits of \$26,740 (2015 - \$26,640).

7. Capital Lease Obligations	2016	2015
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The village has leased two assets included in machinery and equipment. The leases are repayable in monthly installments of \$1,185, ending May 2018 and bear no interest. The leases are secured by the leased equipment.

Payments estimated for the next two years are as follows:

2017	\$ 14,224
2018	<u>5,927</u>
	20,151
Amount representing interest	<u>-</u>
	<u>\$ 20,151</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

8. Long-Term Debt **2016**

Debenture payable bearing interest at 1.782% repayable in semi-annual blended payments of \$16,443, final payment due September 2026. **\$ 300,000**

The estimated principal and interest repayments for the next five years are as follows:

	Principal	Interest	Total
2017	\$ 27,662	5,223	32,885
2018	28,157	4,728	32,885
2019	28,661	4,224	32,885
2020	29,174	3,711	32,885
2021	29,696	3,189	32,885
Subsequent	<u>156,650</u>	<u>7,779</u>	<u>164,429</u>
	\$ <u>300,000</u>	<u>28,854</u>	<u>328,854</u>

9. Contingency

The Village is a member of the Genesis Reciprocal Insurance Exchange. Under the terms of 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.

10. Accumulated Surplus **2016** **2015**

Unrestricted surplus (deficit) **\$ (244)** **78,195**

Reserves

Operating contingency	51,000	51,000
Roads, streets, walks and lighting	631,403	893,423
Water and wastewater	383,521	330,325
MSI general capital	<u>289,278</u>	<u>251,950</u>
	<u>1,355,202</u>	<u>1,526,698</u>

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

10. Accumulated Surplus (Continued)	2016	2015 (restated)
Equity in tangible capital assets		
Tangible capital assets (page 6)	4,909,515	4,240,688
Long-term debt (note 8)	(300,000)	-
Obligation under capital lease (note 7)	<u>(20,151)</u>	<u>(34,377)</u>
	<u>4,589,364</u>	<u>4,206,311</u>
	<u>\$ 5,944,322</u>	<u>5,811,204</u>

11. Debt Limits	2016	2015
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Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the municipality as follows:

Total debt limit	\$ 1,119,108	1,132,216
Total debt	<u>320,151</u>	<u>34,377</u>
Amount of debt limit unused	<u>798,957</u>	<u>1,097,839</u>
Service limit of debt	\$ 186,518	188,703
Service on debt	<u>47,109</u>	<u>14,224</u>
Amount of debt servicing limit unused	<u>\$ 139,409</u>	<u>174,479</u>

The debt limit is calculated at 1.5 times the 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 limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

12. Salary and Benefits Disclosure

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

	Salary (1)	Benefits and allowances (2)	2016 Total	2015 Total
Mayor				
Hagen, T	\$ 3,354	8	3,362	3,326
Councilors				
Bigelow, M	1,763	53	1,816	2,335
Reid, R	1,973	22	1,995	1,911
Shi, J	2,692	27	2,719	2,791
Temple, S	2,434	26	2,460	2,129
Chief Administrative Officer				
Luana Smith	<u>74,135</u>	<u>7,524</u>	<u>81,659</u>	<u>84,323</u>
	\$ <u>86,351</u>	<u>7,660</u>	<u>94,011</u>	<u>96,815</u>

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 including CPP and Worker's Compensation.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

13. 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 Public Sector Pension Plans Act. The LAPP serves 244,621 employees and 426 employers. The LAPP is financed by employer and employee contributions and by investment earnings in the LAPP Fund.

Contributions for current service are recorded as expenses 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 that 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.

Total current service contributions by the Village to the LAPP in 2016 were \$11,976 (2015 - \$5,769). Total current service contributions by employees of the municipality to the LAPP in 2016 were \$10,999 (2015 - \$5,288).

As at December 31, 2015 the LAPP disclosed an actuarial deficiency of \$923 million (2014 - \$2.45 billion). LAPP has not yet disclosed the actuarial deficit as at December 31, 2016.

14. Subsequent Events

Subsequent to year end, the Village purchased the Cremona United Church for \$50,000. A \$1,000 deposit on the purchase is included in prepaids as at December 31, 2016. The remaining \$49,000 was paid in January 2017.

VILLAGE OF CREMONA
Notes to the Financial Statements
December 31, 2016

15. Financial Instruments

The Village's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, investments, accounts payable and accruals, capital lease obligation, long term debt and deposit liabilities. It is management's opinion that the village is not exposed to significant interest, currency, credit, market or liquidity risks arising from these financial instruments except as follows:

Interest rate risk

The Village is exposed to interest rate price risk as long-term debt bears interest at fixed interest rates.

Credit risk

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

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

16. Budget Amounts

Council and management approved the 2016 budget for the Village of Cremona on April 19, 2016.

17. Approval of Financial Statements

Council and management have approved these financial statements.

VILLAGE OF CREMONA
Supplementary Financial Information
Year Ended December 31, 2016

Reconciliation of 2016 Budget to Operating Results

Effective January 1, 2009 the town adopted the changes required under the Public Sector Accounting Board (PSAB) Handbook, including Section 1200, "Financial Statement Presentation". Under these requirements, the town is required to use a full accrual reporting model for preparation of its consolidated financial statements. However, the town continues to use a cash requirement basis in determining its annual budget. The reconciliation below is for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated financial statements provided and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2016	2015
Excess of revenue over expenses per financial statements	\$ 360,610	133,118	983,460
Capital expenditures:			
Add: amortization expense	-	179,145	135,784
Less: tangible capital assets acquired	<u>(1,062,000)</u>	<u>(847,974)</u>	<u>(391,357)</u>
Excess (deficiency) of operating and capital revenues over expenditures	(701,390)	(535,711)	727,887
Capital financing:			
Add: proceeds on capital debt	300,000	300,000	-
Less: repayment of capital debt	<u>-</u>	<u>(14,225)</u>	<u>(14,225)</u>
Net surplus (deficiency) before the following	(401,390)	(249,936)	713,662
Other:			
Add (deduct) : transfer from (to) operating reserves	66,303	167,000	-
Add (deduct): transfer from (to) capital reserves	<u>335,087</u>	<u>4,497</u>	<u>(686,567)</u>
Increase (decrease) in unrestricted surplus	\$ <u>-</u>	<u>(78,439)</u>	<u>27,095</u>