

**Village of Empress**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

## **Management's Responsibility**

To the Members of Council:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Village. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Village's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

**April 17, 2018**

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**Management**

## Auditor's Report

To the Members of Council:

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the Village of Empress, which comprise the statement of financial position at December 31, 2017, the statements of operations, changes in net financial assets, cash flows, and related schedules for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 an 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 controls 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 controls. An audit also includes evaluating the appropriateness of the 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 the audit evidence 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 Empress as at December 31, 2017, and the results of its operations, changes in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Medicine Hat, Alberta  
April 17, 2018

*MNP LLP*

Chartered Professional Accountants

**MNP**  
LLP

**Village of Empress**  
**Statement of Financial Position**  
As at December 31, 2017

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	305,410	202,087
Receivables		
Taxes and grants in place of taxes (Note 3)	31,385	27,520
Trade and other accounts receivable	122,361	96,154
Land held for resale inventory	51,372	50,257
Investments (Note 4)	2,354	2,204
	<b>512,882</b>	<b>378,222</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	64,908	56,259
Deposit liabilities (Note 5)	18,400	1,400
Deferred revenue (Note 6)	183,781	24,710
Provision for gravel pit closure and post-closure costs (Note 7)	23,535	41,645
	<b>290,624</b>	<b>124,014</b>
<b>NET FINANCIAL ASSETS</b>	<b>222,258</b>	<b>254,208</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	3,407,625	3,438,336
Prepaid expenses	3,226	2,478
	<b>3,410,851</b>	<b>3,440,814</b>
<b>ACCUMULATED SURPLUS</b> (Schedule I, Note 10)	<b>3,633,109</b>	<b>3,695,022</b>

*Commitments and contingencies* - See Notes 14 and 15

Approved by

\_\_\_\_\_  
Mayor

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Councillor

*The accompanying notes are an integral part of these financial statements*

**Village of Empress  
Statement of Operations**

For the year ended December 31, 2017

	Budget	2017	2016
<b>REVENUE</b>			
Net municipal taxes (Schedule III)	155,992	155,874	152,180
User fees and sales of goods	92,050	91,839	106,460
Government transfers for operating (Schedule IV)	133,568	130,319	125,059
Investment income	-	-	10
Penalties and costs of taxes	8,075	8,437	8,954
Licenses and permits	-	175	25
Franchise and concession contracts	3,000	3,189	2,972
Other	33,690	85,723	32,657
	426,375	475,556	428,317
<b>EXPENSES</b>			
Legislative	18,450	18,395	12,209
Administrative	188,935	188,869	175,520
Bylaws enforcement	27,761	29,857	15,470
Water supply and distribution	94,730	62,275	90,392
Wastewater treatment and disposal	29,551	21,307	22,414
Waste management	4,639	6,665	4,969
Family and community support	13,154	11,523	9,950
Land use planning, zoning and development	19,928	5,595	9,100
Common	600	345	369
Cultural	161,716	148,887	147,249
Recreation and culture	77,363	83,147	70,478
	636,827	576,865	558,120
<b>SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	(210,452)	(101,309)	(129,803)
<b>OTHER</b>			
Other contributions	-	-	80,000
Gain on disposal of tangible capital assets	-	-	527
Government transfers for capital (Schedule IV)	151,000	39,396	727,792
	151,000	39,396	808,319
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	(59,452)	(61,913)	678,516
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	3,695,022	3,695,022	3,016,506
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	3,635,570	3,633,109	3,695,022

The accompanying notes are an integral part of these financial statements

**Village of Empress**  
**Statement of Changes in Net Financial Assets**  
For the year ended December 31, 2017

	Budget	2017	2016
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	(59,452)	(61,913)	678,516
Acquisition of tangible capital assets	(153,000)	(89,426)	(821,392)
Proceeds on disposal of tangible capital assets	-	-	23,659
Amortization of tangible capital assets	164,933	120,137	140,041
Gain on sale of tangible capital assets	-	-	(527)
Acquisition of prepaid assets	11,933	30,711	(658,219)
	-	(748)	(58)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(47,519)	(31,950)	20,239
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	254,208	254,208	233,969
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	206,689	222,258	254,208

*The accompanying notes are an integral part of these financial statements*

**Village of Empress**  
**Statement of Cash Flows**  
For the year ended December 31, 2017

	2017	2016
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenues over expenses	(61,913)	678,516
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	120,137	140,041
Gain on disposal of tangible capital assets	-	(527)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(3,865)	7
Decrease (increase) in trade and other accounts receivable	(26,207)	(58,096)
Decrease (increase) in land held for resale	(1,115)	741
Decrease (increase) in prepaid expenses	(748)	(58)
Increase (decrease) in accounts payable and accrued liabilities	8,649	29,132
Increase (decrease) in deposit liabilities	17,000	-
Increase (decrease) in deferred revenue	159,071	(400,846)
Increase (decrease) in provision for landfill closure/post-closure	(18,110)	-
Cash provided by operating transactions	192,899	388,910
<b>CAPITAL</b>		
Proceeds on sale of tangible capital assets	-	23,659
Acquisition of tangible capital assets	(89,426)	(821,392)
Cash applied to capital transactions	(89,426)	(797,733)
<b>INVESTING</b>		
Increase in other investments	(150)	(50)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>103,323</b>	<b>(408,873)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>202,087</b>	<b>610,960</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<b>305,410</b>	<b>202,087</b>

The accompanying notes are an integral part of these financial statements

**Village of Empress**  
**Schedule I - Schedule of Changes in Accumulated Surplus**  
For the year ended December 31, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
<b>BALANCE, BEGINNING OF YEAR</b>	<b>1,369</b>	<b>255,317</b>	<b>3,438,336</b>	<b>3,695,022</b>	<b>3,016,506</b>
Excess of revenue over expenses	(61,913)	-	-	(61,913)	678,516
Transfers to reserves	27,652	(27,652)	-	-	-
Restricted funds for operations	3,550	(3,550)	-	-	-
Current year funds used for tangible capital assets	(89,426)	-	89,426	-	-
Annual amortization expense	120,137	-	(120,137)	-	-
Change in accumulated surplus	-	(31,202)	(30,711)	(61,913)	678,516
<b>BALANCE, END OF YEAR</b>	<b>1,369</b>	<b>224,115</b>	<b>3,407,625</b>	<b>3,633,109</b>	<b>3,695,022</b>

The accompanying notes are an integral part of these financial statements



**Village of Empress**  
**Schedule II - Schedule of Tangible Capital Assets**  
For the year ended December 31, 2017

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2017	2016
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	43,407	443,892	936,540	3,219,457	430,830	186,723	5,260,849	4,468,372
Acquisition of tangible capital assets	-	7,017	8,756	36,893	36,760	-	89,426	821,392
Disposal of tangible capital assets	-	-	-	-	-	-	-	(28,915)
BALANCE, END OF YEAR	43,407	450,909	945,296	3,256,350	467,590	186,723	5,350,275	5,260,849
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	33,394	161,512	1,303,465	214,893	109,249	1,822,513	1,688,255
Annual amortization	-	19,176	22,812	43,694	25,075	9,380	120,137	140,041
Accumulated amortization on disposals	-	-	-	-	-	-	-	(5,783)
BALANCE, END OF YEAR	-	52,570	184,324	1,347,159	239,968	118,629	1,942,650	1,822,513
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>43,407</b>	<b>398,339</b>	<b>760,972</b>	<b>1,909,191</b>	<b>227,622</b>	<b>68,094</b>	<b>3,407,625</b>	<b>3,438,336</b>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	43,407	410,498	775,028	1,915,992	215,937	77,474	3,438,336	

**Village of Empress**  
**Schedule III - Schedule of Net Municipal Taxes**  
For the year ended December 31, 2017

	Budget	2017	2016
<b>TAXATION</b>			
Real property taxes	171,765	171,647	169,412
Linear property taxes	5,641	5,641	5,617
Government grants in lieu of property taxes	3,851	3,851	3,821
	181,257	181,139	178,850
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	19,917	19,917	20,863
Seniors Foundation	5,348	5,348	5,807
	25,265	25,265	26,670
<b>NET MUNICIPAL TAXES</b>	155,992	155,874	152,180

*The accompanying notes are an integral part of these financial statements*

**Village of Empress**  
**Schedule IV - Schedule of Government Transfers**  
For the year ended December 31, 2017

	Budget	2017	2016
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	36,359	<b>36,359</b>	38,415
Federal Government	2,500	<b>2,198</b>	-
Other Local Governments	94,709	<b>91,762</b>	86,644
	<b>133,568</b>	<b>130,319</b>	125,059
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	120,000	<b>20,630</b>	464,810
Federal Government	21,000	<b>3,749</b>	157,504
Other Local Governments	10,000	<b>15,017</b>	105,478
	<b>151,000</b>	<b>39,396</b>	727,792
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>284,568</b>	<b>169,715</b>	852,851

*The accompanying notes are an integral part of these financial statements*

**Village of Empress**  
**Schedule V - Schedule of Expenses by Object**  
For the year ended December 31, 2017

	Budget	2017	2016
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	204,810	223,850	215,754
Contracted and general services	108,294	85,768	74,152
Materials, goods and utilities	146,220	134,978	114,549
Transfers to local boards and agencies	11,000	10,500	12,000
Bank charges and short-term interest	1,570	1,632	1,624
Amortization of tangible capital assets	164,933	120,137	140,041
	636,827	576,865	558,120

*The accompanying notes are an integral part of these financial statements*

**Village of Empress**  
**Schedule VI - Schedule of Segmented Disclosure**  
For the year ended December 31, 2017

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
<b>REVENUE</b>								
Net municipal taxes	155,874	-	-	-	-	-	-	155,874
Government transfers	-	-	155,341	-	-	-	-	155,341
User fees and sales of goods	-	-	-	-	-	91,839	-	91,839
Other revenues	8,612	3,189	-	-	-	-	100,097	111,898
	164,486	3,189	155,341	-	-	91,839	100,097	514,952
<b>EXPENSES</b>								
Contract & general services	23,235	4,977	1,796	5,595	13,668	33,437	3,060	85,768
Salaries & wages	119,934	1,800	51,899	-	18,113	24,141	7,963	223,850
Goods & supplies	57,139	7,815	44,835	-	16,929	8,260	-	134,978
Transfers to local boards	-	-	-	-	10,000	-	500	10,500
Other expenses	1,632	-	-	-	-	-	-	1,632
	201,940	14,592	98,530	5,595	58,710	65,838	11,523	456,728
<b>NET REVENUE, BEFORE AMORTIZATION</b>	(37,454)	(11,403)	56,811	(5,595)	(58,710)	26,001	88,574	58,224
Amortization expense	5,324	15,610	50,357	-	24,437	24,409	-	120,137
<b>NET REVENUE</b>	(42,778)	(27,013)	6,454	(5,595)	(83,147)	1,592	88,574	(61,913)

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Empress (the "Village") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Village of Empress are as follows:

**a) Reporting Entity**

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

The schedule of taxes levied also includes requisitions for education, health, social and senior foundations that are not part of the Village's reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**b) Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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 expenses during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts as provided where necessary. Amortization is based on the estimated lives of tangible capital assets.

Expenditures that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration. Annual provisions for these costs are amortized on a straightline basis over 25 years.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

**d) Investments**

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

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**e) Debt Charges Recoverable**

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

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

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

**g) Inventories for Resale**

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

**h) Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**i) Gravel Closure and Post-Closure Liability**

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

**j) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Village.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized into revenue by an amount equal to the debt repayment.

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**k) Government Transfers**

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

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

**l) 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 Change in Net Financial Assets for the year.

**m) 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 over the estimated useful life as follows:

	<u>Years</u>
Buildings	40
Land improvements	20
Engineered structures:	
Water system	75
Wastewater system	75
Other engineered structures	25 - 40
Machinery and equipment	4-15
Vehicles	10

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.

**n) Employee Future Benefits**

Selected employees of the Village are members of the Local Authority Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Village does not recognize its share of any plan surplus or deficit.



**Village of Empress**  
**Notes to the Financial Statements**  
For the year ended December 31, 2017

**2. CASH**

	2017	2016
Cash	305,410	202,087

Included in cash are restricted amounts of \$183,781 (2016 - \$24,710) received from the Municipal Sustainability Initiative and other sources and held exclusively for approved projects (Note 6).

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	2017	2016
Current taxes and grants in place of taxes	21,288	19,865
Arrears taxes	10,097	7,655
	31,385	27,520

**4. INVESTMENTS**

	2017	2016
Equity investments in UFA and South Country Co-op	2,354	2,204

**5. DEPOSIT LIABILITIES**

In addition to utility deposits totaling \$300 (2016 - \$300), the Village holds deposits related to lot improvements of \$18,100 (2016 - \$1,100).

**6. DEFERRED REVENUE**

	2017	2016
Municipal Sustainability Initiative - Capital	122,496	14,131
Federal Gas Tax Fund	7,589	7,589
Other deferred revenue	53,696	2,990
	183,781	24,710

**Alberta Municipal Sustainability Initiative**

Funding is received annually from the Municipal Sustainability Initiative Program. The use of these funds is restricted to eligible operating costs and eligible capital projects, as approved under the funding agreement.

**Federal Gas Tax Fund**

Funding was received from 2014 to 2016 from the Federal Gas Tax Fund. The use of these funds is restricted to eligible capital projects as approved under the funding agreement.

**Village of Empress**  
**Notes to the Financial Statements**  
For the year ended December 31, 2017

**7. PROVISION FOR GRAVEL PIT CLOSURE AND POST-CLOSURE LIABILITY**

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the Environmental Protection Act. These costs include landscaping as well as surface and ground water monitoring and visual inspections. There is uncertainty with the respect to the measurement of estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. A third party commitment exists for those who hold claims on the stockpiles in the gravel pits owned by the Village for the future reclamation.

Due to the unknown timeline of actual gravel usage, the term of the reclamation is unknown. The accrued liability portion is a current valuation based on the report received by the Village in the 2017 year. As future expansion is planned, the fair market value of the liability will be adjusted on an annual basis using the actual amounts of gravel crushed at a rate of \$0.12 per cubic meter plus an annual accretion adjustment for inflation at a rate of 2%.

The total capacity of the site is estimated at 675,000 cubic meters with the estimated remaining capacity of 666,353 cubic meters.

The Village has not designated assets for settling closure and post-closure liabilities.

	2017	2016
Estimated total liability	115,000	115,000
Estimated capacity remaining	72.81 %	57.06 %
Portion of total liability remaining to be recognized	83,730	65,620
Estimated capacity used	27.19 %	42.94 %
Total accrued liability	31,270	49,380
Less: Amounts receivable from Special Areas	(7,735)	(7,735)
Accrued liability portion	23,535	41,645

**Village of Empress**  
**Notes to the Financial Statements**  
For the year ended December 31, 2017

**8. DEBT LIMITS**

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

	2017	2016
Total debt limit	713,334	642,476
Total debt	-	-
Amount of debt limit unused	713,334	642,476
Debt servicing limit	118,889	107,079
Debt servicing	-	-
Amount of debt servicing limit unused	118,889	107,079

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 which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2017	2016
Tangible capital assets (Schedule II)	5,350,275	5,260,849
Accumulated amortization (Schedule II)	(1,942,650)	(1,822,513)
	3,407,625	3,438,336

**10. ACCUMULATED SURPLUS**

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

	2017	2016
Unrestricted surplus	1,369	1,369
Restricted surplus	224,115	255,317
Equity in tangible capital assets (Note 9)	3,407,625	3,438,336
	3,633,109	3,695,022

**11. SEGMENTED DISCLOSURE**

The Village of Empress provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule VI).

**Village of Empress**  
**Notes to the Financial Statements**  
For the year ended December 31, 2017

**12. 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 <sup>1</sup>	Benefits & allowances <sup>2</sup>	2017	2016
Mayor:				
C. Van Dam	-	4,025	4,025	4,530
S. Crooker	-	1,056	1,056	-
Councillors:				
A. Jonston	-	1,837	1,837	1,545
B. Farnden	-	1,679	1,679	3,352
R. Giff	-	1,492	1,492	-
C. Cooper	-	690	690	-
C.A.O.	63,000	14,589 <sup>3</sup>	77,589	77,502

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.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

**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 Alberta Public Sector Pension Plans Act. The LAPP serves about 250,000 people and 422 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service contributions are recorded as expenditures in the year in which they become due. Contributions for current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2017 were \$12,494 (2016 - \$12,442). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2017 were \$11,427 (2016 - \$11,381).

At December 31, 2016, the LAPP disclosed a deficiency of \$637,357 thousand (2015 - \$923,416 thousand).

**14. COMMITMENTS**

The Village has entered into a memorandum of understanding with the Acadia Foundation to assist with the repayment of debt associated with the Acadia Foundation's expansion. Presently, the Acadia Foundation is undertaking the Acadia Foundation Building Expansion Project which includes upgrades, renovations, construction and expansion of the three lodges in the communities of Oyen, Consort and Hanna. In order to fund the project the Foundation will borrow not more than \$25 million over the term of the project. As of December 31, 2008 the Foundation had borrowed the entire \$25 million to fund constructions. The Village, as a municipality to the Acadia Foundation, is committed to pay their proportional share of the borrowing based on the equalized assessment for the year in which the funds were borrowed. The Village's share of the borrowing will be repaid over a period of 10 years in the amount of approximately \$3,280 per year.

**Village of Empress**  
**Notes to the Financial Statements**  
For the year ended December 31, 2017

**15. 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.

**16. FINANCIAL INSTRUMENTS**

The Village's financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, 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 instruments.

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

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

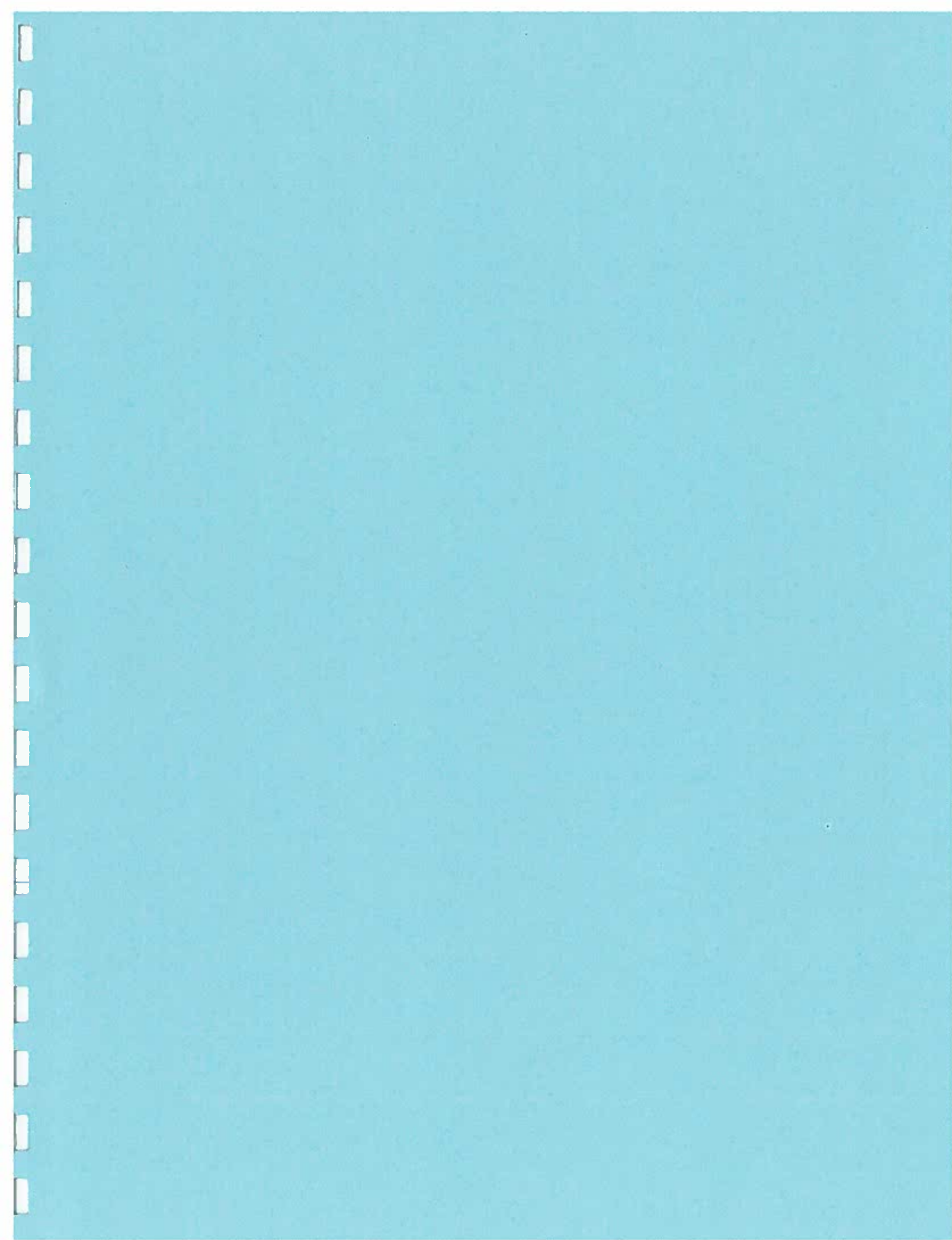
**17. RECONCILIATION OF OPERATING RESULTS TO BUDGET**

The December 31, 2017 budget, prepared by the Village of Empress, reflects all municipal activities including capital purchases, debt repayments and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only. It should not be used as a replacement for the statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget	2017	2016
Excess (deficiency) of revenue over expenditures, per financial statements	(59,452)	(61,913)	678,516
Add back:			
Amortization expense	164,933	120,137	140,041
Proceeds on disposal of tangible capital assets	-	-	23,659
Net transfers (to) from reserves	47,519	31,202	(20,000)
Deduct:			
Tangible capital asset purchases	(153,000)	(89,426)	(821,392)
Loss on disposal of tangible capital assets	-	-	(527)
Results of operations	-	-	297

**18. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.





**VILLAGE OF EMPRESS  
AUDIT SERVICE PLAN**  
Year Ending December 31, 2017  
For presentation to Council



February 7, 2018

Members of Council of the Village of Empress.

Dear Sirs/Mesdames:

We are pleased to put forward this report for discussion of our overall strategy and general arrangements for the audit of the financial statements of the Village of Empress ("the Village") for the year ended December 31, 2017. In this report, we cover those significant matters which, in our opinion, you should be aware of as members of the Council.

At MNP, we adhere to the highest level of integrity and professionalism. Our goal is to meet or exceed the Council's requirements and ensure you receive outstanding service.

Our team of experienced professionals have been selected for this engagement because of their knowledge and understanding of your Organization. As a valued client of MNP, we look forward to working with you, your management team and employees over the course of our audit work.

We are dedicated to maintaining open channels of communication throughout this engagement. Please feel free to approach our team with any questions you may have about our upcoming audit, and to discuss any other matters that may be of interest to you.

Yours truly,

A handwritten signature in black ink that reads 'MNP LLP'.

MNP LLP

encls.



## **EXECUTIVE SUMMARY**

To make strategic business decisions with confidence, your stakeholders and the Council of the Village of Empress need relevant, reliable and independently audited financial information. But that's not all. You need an audit team that can deliver insight beyond the numbers and enhance the Village's strategic planning and implementation processes so you can embrace new opportunities while effectively managing risk. Our senior team members have extensive knowledge of your industry from many years of experience focusing their practice in municipalities. Our audit strategy takes into account the limitations and opportunities you encounter each day, allowing our recommendations to be implemented with greater ease. Committed to your success, MNP delivers meaningful, reliable financial information to not only help you fulfill your compliance obligations, but also to achieve your key strategic goals.

Our audit service plan outlines the strategy we will follow to provide The Village's Council with our independent auditors' report on the December 31, 2017 financial statements.

We propose to use \$18,500 as overall materiality for audit planning purposes.

To meet your requirement of final financial statements released on April 19, 2018 we plan to present our audit findings to the Council April 16, 2018.

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## 1. INTRODUCTION

We are pleased to continue our appointment as auditors of the Village of Empress ("the Village"). Our draft engagement letter is included as Additional Materials following this report.

Our Audit Service Plan will:

- Document the overall audit strategy and the general arrangements for the conduct of our December 31, 2017 audit
- Assist the Council and management in understanding the approach to the December 31, 2017 audit
- Illustrate our commitment to assisting you reach your engagement objectives and to demonstrate our expertise

## 2. TOPICS FOR DISCUSSION

We are committed to providing superior client service by maintaining effective two-way communication.

Topics for discussion include, but are not limited to:

- Changes to your business operations and developments in the financial reporting and regulatory environment
- Business plans and strategies
- The management oversight process
- Fraud:
  - How could it occur?
  - Risk of fraud and misstatement?
  - Actual, suspected or alleged fraud?
- Your specific needs and expectations
- Audit Service Plan
- Any other issues and/or concerns

### 3. KEY CHANGES AND DEVELOPMENTS

Based on our knowledge of the Village and our discussions with management, we have noted no recent developments. Our audit strategy has been developed considering this factor.

### 4. KEY RESPONSIBILITIES

Effective discharge of the respective responsibilities of management, MNP and the Council, and maintenance of strong working relationships and open communication between MNP as auditors, the management and the Council of the Village, is directed toward a common duty to provide appropriate and adequate financial accountability, and quality financial disclosure.

#### MANAGEMENT RESPONSIBILITIES

- Preparation and fair presentation of the financial statements, including the notes thereto, in accordance with Canadian public sector accounting standards
- Initial selection of and changes to significant estimates and accounting policies
- Disclosure of sufficient information about the extent and nature of events having an effect on the Village
- Provide an adequate description of the selected applicable financial reporting framework
- Safeguarding of assets
- Establishment and maintenance of policies, financial reporting systems and controls (including those designed to prevent and detect fraud and misstatement)
- Ensuring compliance with applicable legislative authorities
- Provide and make available financial records and related data, copies of all minutes of meetings of council
- Provide information relating to any known or possible non-compliance with legislative or regulatory requirements, and laws and regulations
- Provide information about all related parties and related party transactions
- Allow access to staff and management, and other business associates (i.e., lawyers, bankers) as necessary

- Provide written confirmation of representations relating to significant and/or material financial reporting items and disclosures

## MNP RESPONSIBILITIES

- Report whether the December 31, 2017 financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Village in accordance with Canadian public sector accounting standards.
- Provide reasonable, but not absolute, assurance of detecting misstatements, fraud or non-compliance with laws and regulations having a material effect on the financial statements as a whole.
  - Absolute assurance cannot be provided due to inherent limitations of the audit including the possibility of intentional misstatements due to management override or collusion
- Conduct our audit in accordance with Canadian generally accepted auditing standards
- Obtain an understanding of the risk of material misstatement
  - Understand the environment
  - Evaluate internal controls (should we test internal controls, our assessments would not be sufficient to conclude on the effectiveness or efficiency of internal controls)
- Examine, on a test basis, evidence supporting the amounts and disclosures within the financial statements
- Assess the appropriateness of the accounting policies selected and their application, the significant estimates made by management, and the use of the going concern assumption

Detailed information on the Audit Process and the Audit Response to Identified Risk are included as Appendix A and Appendix B respectively.

## COUNCIL RESPONSIBILITIES

- Review and approve the financial statements
- Allocate responsibility between governance and management
- Maintain oversight of management to ensure the integrity of accounting and financial reporting systems
- Ensure that appropriate controls are in place, including those needed for monitoring risk, financial reporting, prevention and detection of fraud and misstatement, and compliance with relevant laws and regulations

- Consider the potential for management override of controls or other inappropriate influences, such as earnings management
- Prevention and detection of fraud and misstatement
- Creation and maintenance of a culture of honesty and high ethics
- Approval of policies and the monitoring of performance areas
- Provide information to assist MNP in updating its understanding of the entity and its environment, including internal control
- Provide information about the entity's objectives, strategies and related business risks that may give rise to material misstatements
- Provide information about significant communications with regulators
- Inform MNP of appropriate governance person(s) with whom to communicate
- Identify additional areas of concern for MNP to consider when undertaking the audit

## 5. DELIVERABLES

We are committed to providing you with the highest level of professional service. Based on our understanding of your needs and expectations, our planned service response includes:

- We will keep you informed of the effect and timing of relevant new and proposed financial reporting requirements
- We will assist you to plan for and implement relevant new financial reporting requirements
- We will communicate effectively, and in a timely manner, with the Council. Our communications include this Audit Service Plan and, at the conclusion of our audit, the Audit Findings Report and our Management Letter
- We will attend and participate in Council meetings as appropriate
- We will assign an engagement team that understands the Village, the industry in which it operates, and the accounting, tax and regulatory issues that affect your financial reporting
- We will provide ongoing business, taxation and accounting advice, including financial reporting recommendations on unusual transactions, business contracts and other business arrangements as they arise

- Upon completion of our audit, we will issue our independent auditors' report on your financial statements, prepared in accordance with Canadian Public Sector Accounting Standards

## 6. TIMETABLE

	DATE
Presentation of December 31, 2017 Audit Service Plan to the Council	February 7, 2018
Year-end procedures	March 5, 2018
Draft year-end financial statements to be discussed with management	April 16, 2018
Report of the December 31, 2017 Audit Findings to Council	April 19, 2018
Council approval for release of final year-end financial statements <ul style="list-style-type: none"> <li>• Issuance of independent auditors' report</li> </ul>	April 19, 2018
Issuance of Management Letter	April 19, 2018



## 7. INDEPENDENCE

An essential aspect of all our services to the Village is an independent viewpoint, which recognizes that our responsibilities are to the members. While the concept of independence demands a questioning and objective attitude in conducting our audit, it also requires the absence of financial or other interests in the Village. In accordance with our firm's policy and the Rules of Professional Conduct which govern our profession, neither MNP nor any of its team members assigned to the engagement nor any of its partners are permitted to have any involvement in or relationship with the Village that would impair independence or give that appearance. As auditors, we subscribe to the highest standards and are required to discuss our independence with the Council on an annual basis. We will:

- Disclose to the Council, in writing, all relationships between MNP and the Village that in our professional judgment may reasonably be thought to bear on our independence;
- Confirm in writing that, in its professional judgment, MNP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta; and,
- Discuss our independence with the Council.

Our draft letter to the Council discussing our independence, the general form and content of which we expect to provide to the Council upon the conclusion of our audit, is included as Additional Materials following this report.

During the course of the audit, we will communicate any significant new matters that come to our attention that, in our professional judgment, may reasonably be thought to bear on our independence. At the completion of our audit, we will reconfirm our independence.



## 8. AUDIT TEAM AND MNP RESOURCES

In order to ensure effective communication between the Council and our firm, we briefly outline below the key members of our audit team and the role they will play.

Village of Empress  
December 31, 2017 Audit  
Team

Tracy Noullett, CPA, CA  
Engagement Partner

Jerica Filanti  
Reviewer

Chelsea Marshall  
Senior

Kade Kopec  
Audit Team

In order to serve you better and meet our professional responsibilities, we may find it necessary to expand our audit team to include other MNP professionals whose consultation will assist us to evaluate and resolve complex, difficult and/or contentious matters identified during the course of our audit. Any changes to the audit team will be discussed with you to ensure a seamless process and that all concerned parties' needs are met.

Our estimated audit hours above are based on estimates per review of prior year financial information. These estimated hours rely on the following assumptions:

- No significant deficiencies in internal controls which cause procedures to be extended
- No major unadjusted misstatements or un-reconciled balances
- Significantly all adjusting entries are completed prior to trial balance and journal entries being provided to audit team
- All management and required staff are available as needed
- Information and working papers required, as outlined in our letter of fiscal year-end requirements, are provided in the mutually agreed form and timing
- There are no changes to the agreed upon audit timetable and reporting requirements

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the engagement partner so a mutually agreeable solution can be reached.

**Invoices will be rendered as work progresses in accordance with the following schedule:**

Progress billing #1	Commencement of field work	\$ 12,206
Final billing	Upon release of independent auditors' report	\$ 4,069

\* A 5% administrative fee will be added to all billings and has been included in the figures presented.

# APPENDIX A: THE AUDIT PROCESS

## OUR PLAN

Our overall audit strategy is risk-based and controls-oriented. Assessment and identification of risk is performed continuously throughout the audit process. We focus on the risks that have a potential impact on the financial accounting systems and subsequent financial reporting.

Our overall audit strategy does not, and is not intended to involve the authentication of documents, nor are our team members trained or expected to be experts in such authentication. Unless we have reason to believe otherwise, we accept records and documents as genuine. The subsequent discovery of a material misstatement resulting from fraud does not, in and of itself, indicate a failure to comply with Canadian generally accepted auditing standards.

## AUDIT PROCEDURES

To meet our responsibilities in accordance with Canadian generally accepted auditing standards, our audit examination includes:

- Obtaining an understanding of the entity and its environment, including its controls, in order to identify and assess the risk that the financial statements contain material misstatements due to fraud or misstatement;
- Assessing the adequacy of and examining, on a test basis, the key controls over significant transaction streams and over the general organizational and computer environments;
- Assessing the systems used to ensure compliance with applicable legislative and related authorities pertaining to financial reporting, revenue raising, borrowing, and investing activities;
- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the appropriateness and consistency of accounting principles used and their application;
- Assessing the significant estimates used by management; and,
- Assessing the entity's use of the going concern assumption in the preparation of the financial statements.

As part of our planning process, we will also undertake to inform the Council of concerns relating to management's implementation and maintenance of controls, and the effects of any such concerns on the overall strategy and scope of the audit. These concerns might arise from the nature, extent and frequency of management's assessments of controls in place to detect fraud and misstatement, and of the risk that the financial statements may be misstated; from a failure by management to appropriately address significant deficiencies in controls identified in prior audits; and, from our evaluation of the Village's control environment, and management's competence and integrity.

As part of our audit work we will update our understanding of the entity and its environment, including the controls relevant to our audit of the principal transaction cycles, sufficient to identify and assess the risks of material misstatement of the financial statements resulting from fraud or misstatement. This will be accomplished through enquiries with management and others within the entity, analytical procedures and observation and inspection. Furthermore, we will consider whether effective controls have been established to adequately respond to the risks arising from the use of IT or manual systems and test the operation of those controls to an extent sufficient to enable us to reduce our substantive work. Our review of the Village's controls will not be sufficient to express an opinion as to their effectiveness or efficiency. Although we will provide Council with any information about significant deficiencies in internal control that have come to our attention, we may not be aware of all the significant deficiencies in internal control that do, in fact, exist.

## AUDIT MATERIALITY

Materiality is an important audit concept. It is used to assess the significance of misstatements or omissions that are identified during the audit and to determine the level of audit testing that is carried out. Specifically, a misstatement or the aggregate of all misstatements in financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures) is considered to be material if it is probable that the decision of the party relying on the financial statements, who has reasonable understanding of business and economic activities, will be changed or influenced by such a misstatement or aggregate of all misstatements. The scope of our audit work is tailored to reflect the relative size of operations of the Village and our assessment of the potential for material misstatements in the Village's financial statements as a whole (and, if applicable, for particular classes of transactions, account balances or disclosures). In determining the scope, we emphasize relative audit risk and materiality, and consider a number of factors, including:

- The size, complexity, and growth of the Village;
- Changes within the Village, management or accounting systems; and
- Concerns expressed by management.

Judgment is applied to determine a level of materiality appropriate to the audit of each set of financial statements (and, if applicable, for particular classes of transactions, account balances or disclosures). Determination of an appropriate level of materiality is affected by our perception of the financial information needs of users of the financial statements. In this context, it is reasonable to assume that users: understand that financial statements are prepared, presented and audited to levels of materiality; recognize uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and consideration of future events; and make reasonable economic decisions based on the financial statements. The foregoing factors are taken into account in establishing the materiality level. For your information, we propose to use \$18,500 as overall materiality for audit planning purposes.

## INHERENT LIMITATIONS IN THE AUDITING PROCESS

An auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected due to factors such as the use of significant judgment regarding the gathering of evidence and the drawing of conclusions based on the audit evidence acquired; the use of testing of the data underlying the financial statements; inherent limitations of controls; and, the fact that much of the audit evidence available to the auditor is persuasive, rather than conclusive in nature.

Because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, the auditor cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The likelihood of not detecting material misstatements resulting from management fraud is greater than for employee fraud, because management is in a position to manipulate records, present fraudulent information or override controls.

We will inform the appropriate level of management or the Council with respect to identified:

- Misstatements resulting from errors, other than clearly trivial misstatements;
- Fraud, or any information obtained that indicates that fraud may exist;
- Evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations, other than that considered inconsequential;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatement; and
- Related party transactions that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

Our concern as auditors is with material misstatements, and thus, we are not responsible for the detection of misstatements that are not material to the financial statements taken as a whole.

## DEFINITION OF ASSERTIONS

ASSERTION	DESCRIPTION	SYMBOL
<b>CLASSES OF TRANSACTIONS AND EVENTS</b>		
COMPLETENESS	All transactions and events that should have been recorded have been recorded.	Cm (I/S)
CLASSIFICATION	Transactions and events have been recorded in the proper accounts.	Cl
CUT-OFF	Transactions and events have been recorded in the correct accounting period.	Co
ACCURACY	Amounts and other data relating to the recorded transactions and events have been recorded appropriately.	Ac
OCCURRENCE	Transactions and events that have been recorded have occurred and pertain to the entity.	Oc
<b>FINANCIAL STATEMENT ACCOUNT BALANCES</b>		
EXISTENCE	All assets, liabilities and equity interests exist.	Ex
VALUATION & ALLOCATION	Assets, liabilities and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.	Va
COMPLETENESS	All assets, liabilities and equity interests that should have been recorded have been recorded.	Cm (B/S)
RIGHTS & OBLIGATIONS	The entity holds or controls the rights to assets, and liabilities are the obligations of the entity.	Ro
<b>PRESENTATION &amp; DISCLOSURE</b>		
OCCURRENCE, RIGHTS & OBLIGATIONS	Disclosed events, transactions and other matters have occurred and pertain to the entity.	Or
COMPLETENESS	All disclosures that should have been included in the financial statements have been included.	Cm (P&D)
ACCURACY & VALUATION	Financial and other information are disclosed fairly and at appropriate amounts.	Av
CLASSIFICATION & UNDERSTANDABILITY	Financial information is appropriately presented and described, and disclosures are clearly expressed.	Cu

## ADDITIONAL MATERIALS

As additional materials following this report we have included our draft engagement letter, which represents a formal written agreement of the terms of our audit engagement.

Additionally we have included our draft independence letter, which formally confirms in writing MNP's independence. At the completion of our engagement, we will reconfirm our independence.

