

**VILLAGE OF HALKIRK
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the accompanying consolidated financial statements of the Village of Halkirk which comprise the statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Halkirk as at December 31, 2018, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting if required.

Those charged with governance are responsible for overseeing the Village's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, where due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of control.
- Obtain an understanding of internal control relevant to the audit 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 Village's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

Stettler, Alberta
April 10, 2019

Chapman and Co.
Professional Accountants LLP

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	525,694	378,188
Receivables		
Taxes and grants in place of taxes (note 3)	7,387	10,721
Trade and other receivables (note 5)	823,451	668,963
Land for resale inventory (note 1f)	6,000	6,000
Investments (notes 1d & 4)	<u>10</u>	<u>10</u>
	<u>1,362,542</u>	<u>1,063,882</u>
LIABILITIES		
Accounts payable and accrued liabilities	29,192	27,827
Deferred revenue (notes 1b & 6)	<u>848,261</u>	<u>630,408</u>
	<u>877,453</u>	<u>658,235</u>
NET FINANCIAL ASSETS	<u>485,089</u>	<u>405,647</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	1,994,605	2,075,828
Prepaid expenses	<u>876</u>	<u>4,399</u>
	<u>1,995,481</u>	<u>2,080,227</u>
ACCUMULATED SURPLUS (note 10)	<u>2,480,570</u>	<u>2,485,874</u>
Commitments - see note 13		

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget \$ (Unaudited)	2018 \$	2017 \$
REVENUE			
Net municipal taxes (Schedule 3)	91,475	90,431	87,725
User fees and sales of goods	181,950	178,052	194,335
Government transfers for operating (Schedule 4)	74,720	74,420	71,436
Gain on disposal of tangible capital assets	-	23,201	-
Investment income	1,200	4,970	1,141
Penalties and cost on taxes	3,700	4,579	4,190
Concession and franchises	3,650	3,887	1,238
Other revenue	<u>11,400</u>	<u>11,343</u>	<u>11,404</u>
Total Revenue	<u>368,095</u>	<u>390,883</u>	<u>371,469</u>
EXPENSES			
Operating			
Legislative	21,100	11,564	11,099
Administration	90,455	82,119	81,171
Protection Services	38,400	31,969	32,052
Roads, streets, walks, lighting	24,875	29,203	20,697
Water supply and distribution	60,900	47,681	46,336
Wastewater treatment and disposal	5,000	2,936	9,835
Waste management	6,100	5,695	5,199
Family and community support	5,375	6,860	6,860
Subdivision land development	600	1,109	770
Parks and recreation	45,550	31,588	39,305
Cemetaries	3,000	5,231	2,549
Natural gas operations	47,700	40,777	48,754
Amortization of tangible capital assets	<u>-</u>	<u>124,237</u>	<u>123,031</u>
Total Expenses	<u>349,055</u>	<u>420,969</u>	<u>427,658</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>19,040</u>	<u>(30,086)</u>	<u>(56,189)</u>
OTHER			
Donations from local organizations	5,000	9,032	22,321
Government transfers for capital (Schedule 4)	<u>675,400</u>	<u>15,750</u>	<u>49,700</u>
	<u>680,400</u>	<u>24,782</u>	<u>72,021</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	699,440	(5,304)	15,832
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>2,485,874</u>	<u>2,485,874</u>	<u>2,470,042</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>3,185,314</u></u>	<u><u>2,480,570</u></u>	<u><u>2,485,874</u></u>

VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>699,440</u>	<u>(5,304)</u>	<u>15,832</u>
Acquisition of tangible capital assets	(705,400)	(43,014)	(52,780)
Contributed tangible capital assets	-	-	(22,321)
Proceeds on disposal of tangible capital assets	-	23,202	-
Amortization of tangible capital assets	-	124,237	123,031
Gain on sale of tangible capital assets	<u>-</u>	<u>(23,201)</u>	<u>-</u>
	<u>(705,400)</u>	<u>81,224</u>	<u>47,930</u>
Acquisition of prepaid expenses	-	(876)	(4,399)
Use of prepaid expenses	<u>-</u>	<u>4,399</u>	<u>5,756</u>
	<u>-</u>	<u>3,523</u>	<u>1,357</u>
INCREASE IN NET ASSETS	(5,960)	79,443	65,119
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>405,646</u>	<u>405,646</u>	<u>340,527</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>399,686</u></u>	<u><u>485,089</u></u>	<u><u>405,646</u></u>

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	(5,304)	15,832
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	124,237	123,031
Gain on disposal of tangible capital assets	(23,201)	-
Tangible capital assets received as contributions	-	(17,822)
Non-cash changes to operations (net change):		
Decrease in taxes and grants in place of taxes	3,334	917
Increase in trade and other receivables	(154,488)	(186,411)
Decrease in prepaid expenses	3,523	1,357
Increase (decrease) in accounts payable and accrued liabilities	1,365	(22,858)
Decrease in deposit liabilities	-	(1,500)
Increase in deferred revenue	<u>217,853</u>	<u>158,094</u>
Cash provided by operating transactions	<u>167,319</u>	<u>70,640</u>
CAPITAL		
Acquisition of tangible capital assets	(43,014)	(57,279)
Proceeds on disposal of tangible capital assets	<u>23,201</u>	<u>-</u>
Cash applied to capital transactions	<u>(19,813)</u>	<u>(57,279)</u>
INVESTING		
Decrease (increase) in restricted cash and temporary investments	<u>(63,595)</u>	<u>17,543</u>
Cash provided (applied) to investing transactions	<u>(63,595)</u>	<u>17,543</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	83,911	30,904
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	<u>194,455</u>	<u>163,551</u>
CASH AND CASH EQUIVALENT, END OF YEAR (note 2)	<u><u>278,366</u></u>	<u><u>194,455</u></u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (note 2)	525,694	378,188
Less: restricted portion of cash and temporary investments (note 2)	<u>(247,328)</u>	<u>(183,733)</u>
	<u>278,366</u>	<u>194,455</u>

VILLAGE OF HALKIRK
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018 \$	2017 \$
BALANCE, BEGINNING OF YEAR	<u>259,515</u>	<u>150,531</u>	<u>2,075,828</u>	<u>2,485,874</u>	<u>2,470,042</u>
Excess (shortfall) of revenues over expenses	(5,304)	-	-	(5,304)	15,832
Unrestricted funds designated for future use	(30,526)	30,526	-	-	-
Current year funds used for tangible capital assets	(43,014)	-	43,014	-	-
Annual amortization expense	<u>124,237</u>	<u>-</u>	<u>(124,237)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>45,393</u>	<u>30,526</u>	<u>(81,223)</u>	<u>(5,304)</u>	<u>15,832</u>
BALANCE, END OF YEAR	<u>304,908</u>	<u>181,057</u>	<u>1,994,605</u>	<u>2,480,570</u>	<u>2,485,874</u>

**VILLAGE OF HALKIRK
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Schedule 2)**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018 \$	2017 \$
COST:								
BALANCE, BEGINNING OF YEAR	50,817	37,678	736,766	3,739,278	437,193	79,490	5,081,222	5,006,121
Acquisition of tangible capital assets	-	9,993	-	8,512	24,509	-	43,014	75,101
Disposal of tangible capital assets	-	-	-	(5,500)	(800)	-	(6,300)	-
BALANCE, END OF YEAR	<u>50,817</u>	<u>47,671</u>	<u>736,766</u>	<u>3,742,290</u>	<u>460,902</u>	<u>79,490</u>	<u>5,117,936</u>	<u>5,081,222</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	22,704	428,541	2,221,596	288,219	44,334	3,005,394	2,882,363
Annual amortization	-	1,436	14,433	81,135	20,706	6,527	124,237	123,031
Accumulated amortization on disposals	-	-	-	(5,500)	(800)	-	(6,300)	-
BALANCE, END OF YEAR	<u>-</u>	<u>24,140</u>	<u>442,974</u>	<u>2,297,231</u>	<u>308,125</u>	<u>50,861</u>	<u>3,123,331</u>	<u>3,005,394</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>50,817</u>	<u>23,531</u>	<u>293,792</u>	<u>1,445,059</u>	<u>152,777</u>	<u>28,629</u>	<u>1,994,605</u>	<u>2,075,828</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>50,817</u>	<u>14,974</u>	<u>308,225</u>	<u>1,517,682</u>	<u>148,974</u>	<u>35,156</u>	<u>2,075,828</u>	

**VILLAGE OF HALKIRK
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Schedule 3)**

	Budget (Unaudited)	2018 \$	2017 \$
TAXATION			
Real property taxes	112,320	111,266	109,723
Linear property taxes	<u>2,590</u>	<u>2,589</u>	<u>2,537</u>
	<u>114,910</u>	<u>113,855</u>	<u>112,260</u>
REQUISITIONS			
Alberta School Foundation Fund	21,060	21,054	21,087
Designated Industrial	10	8	-
Seniors Lodge	<u>2,365</u>	<u>2,362</u>	<u>3,448</u>
	<u>23,435</u>	<u>23,424</u>	<u>24,535</u>
NET MUNICIPAL TAXES	<u><u>91,475</u></u>	<u><u>90,431</u></u>	<u><u>87,725</u></u>

**VILLAGE OF HALKIRK
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Schedule 4)**

	Budget (Unaudited)	2018 \$	2017 \$
TRANSFERS FOR OPERATING:			
Provincial Government	35,620	35,724	30,566
Other Local Governments	<u>39,100</u>	<u>38,696</u>	<u>40,870</u>
	<u>74,720</u>	<u>74,420</u>	<u>71,436</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	655,400	-	49,700
Other Local Governments	<u>20,000</u>	<u>15,750</u>	<u>-</u>
	<u>675,400</u>	<u>15,750</u>	<u>49,700</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>750,120</u></u>	<u><u>90,170</u></u>	<u><u>121,136</u></u>

VILLAGE OF HALKIRK
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Schedule 5)

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	2018 \$	2017 \$
Salaries, wages and benefits	78,850	77,923	76,583
Contracted and general services	119,100	87,359	89,649
Materials, goods and utilities	135,800	120,215	128,050
Provisions for allowances (recovery)	2,500	(1,949)	1,149
Transfers to local boards and agencies	12,205	12,775	8,610
Bank charges and short-term interest	600	409	586
Amortization of tangible capital assets	-	124,237	123,031
	<u>349,055</u>	<u>420,969</u>	<u>427,658</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Significant Accounting Policies

The consolidated financial statements of the Village of Halkirk are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the 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 of the organizations that are owned or controlled by the Village and are, therefore, accountable to the Village Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operating requisitions for external organizations that are not a 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.

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.

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 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 disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures 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.

d) Investments

Investments are recorded at 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.

e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

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

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

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Significant Accounting Policies - continued

f) 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 their respective function.

g) Tax Revenue

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

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 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.

i) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

i) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>YEARS</u>
Land improvements	20-25
Buildings	15-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-25
Vehicles	10-25

Full year of the annual amortization is charged in the year of acquisition and zero 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 the fair value at the date of receipt and also recorded as revenue.

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. Cash and Temporary Investments

	2018 \$	2017 \$
Cash	487,894	340,688
Guaranteed investment certificates	<u>37,800</u>	<u>37,500</u>
	<u>525,694</u>	<u>378,188</u>

Guaranteed investment certificate has a maturity of one year or less with an interest rate of 2.0%.

Council has designated funds of \$181,056 (2017 - \$150,531) included in the above amounts for future operating and capital reserves.

Included in cash and guaranteed investment certificates is a restricted amount of \$66,272 (2017 - \$33,202) received from grants and held for specified projects (Note 6).

3. Taxes and Grants in Place of Taxes Receivables

	2018 \$	2017 \$
Current taxes and grants in place of taxes	4,963	7,170
Arrears tax	<u>3,753</u>	<u>5,970</u>
	8,716	13,140
Less: allowance for doubtful accounts	<u>(1,329)</u>	<u>(2,419)</u>
	<u>7,387</u>	<u>10,721</u>

4. Investments

	2018 \$	2017 \$
Alberta Municipal Finance Corp - shares	<u>10</u>	<u>10</u>

5. Trade and Other Receivables

	2018 \$	2017 \$
Trade and other receivables are comprised of the following:		
Water and sewer accounts receivable	25,528	34,085
Grants receivable	781,989	597,206
Other receivables	<u>15,934</u>	<u>37,672</u>
	<u>823,451</u>	<u>668,963</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. Deferred Revenue	2018	2017
	\$	\$
Deferred revenue is comprised of the following:		
ACP - Local Land Use Planner	20,025	-
Municipal Sustainability Initiative Program - Capital	540,236	405,408
Federal Gas Tax Fund	250,000	200,000
County of Paintearth No. 18	28,000	20,000
Paintearth Economic Partnership Society	-	5,000
Paintearth Waste Management	<u>10,000</u>	<u>-</u>
	<u><u>848,261</u></u>	<u><u>630,408</u></u>

Included in the above figure are \$781,989 (2017 - \$597,206) of grants which are in accounts receivable.

Municipal Sustainability Initiative Program - Capital, Federal Gas Tax Fund, ACP - Local Land Use Planner, County of Paintearth No. 18, and Paintearth Waste Management are restricted to eligible capital projects, as approved under the funding agreement. Completion date of the above grants is unknown.

7. 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 be disclosed as follows:

	2018	2017
	\$	\$
Total debt limit	586,325	557,204
Total debt	<u>-</u>	<u>-</u>
Amount under total debt limit	<u><u>586,325</u></u>	<u><u>557,204</u></u>
Service on debt limit	97,721	92,867
Service on debt	<u>-</u>	<u>-</u>
Amount under service on debt limit	<u><u>97,721</u></u>	<u><u>92,867</u></u>

The debt limit is calculated at 1.5 times revenue of the municipality 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 future 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 HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. Tangible Capital Assets	2018	2017
	\$	\$
Net Book Value		
Land	50,817	50,817
Land improvements	23,531	14,974
Buildings	293,792	308,225
Engineering structures		
Roadway system	481,113	524,459
Water distribution system	667,194	684,709
Wastewater treatment system	275,465	286,030
Natural gas	21,287	22,484
Machinery, equipment and furnishings	152,777	148,974
Vehicles	<u>28,629</u>	<u>35,156</u>
	<u>1,994,605</u>	<u>2,075,828</u>
9. Equity in Tangible Capital Fund	2018	2017
	\$	\$
Tangible capital assets (Schedule 1)	5,117,936	5,081,222
Accumulated amortization (Schedule 1)	<u>(3,123,331)</u>	<u>(3,005,394)</u>
	<u>1,994,605</u>	<u>2,075,828</u>
10. Accumulated Surplus	2018	2017
	\$	\$
Unrestricted surplus	304,908	259,515
Restricted surplus		
Operating		
Fire	4,000	4,000
General equipment replacement	114,003	90,803
Water and lagoon	28,300	25,300
Recreation, parks and culture	11,164	11,164
Gas	23,590	19,264
Equity in tangible capital assets	<u>1,994,605</u>	<u>2,075,828</u>
	<u>2,480,570</u>	<u>2,485,874</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

11. Salary and Benefits Disclosure

Disclosure of salary and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta regulation 313/2000 is as follows:

	Salaries \$	Benefits & Allowances \$	2018 \$	2017 \$
Councilor 1	2,025	-	2,025	2,930
Councilor 2	2,025	-	2,025	2,670
Councilor 3	-	-	-	463
Councilor 4	2,875	-	2,875	913
Chief Administrative Officer	39,072	2,481	41,553	39,647

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

2. Benefits and allowances include employer's share of all employee benefits and contributions or payments made on behalf of employees.

12. Financial Instruments

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities. 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 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.

13. Commitments

The Village is a member of the Shirley McClellan Regional Water Services Commission. The commission has obtained debenture funding and repayment of this debenture will be funded by its member communities. The Villages's total payments on this debenture during 2018 were \$304 (2017 - \$302). At December 31, 2018, the Village's share of the remaining principal balance is estimated at \$10,804. Payments for 2019 are expected to total \$641 for the year including interest. The amount outstanding can fluctuate based on the other members of the commission and the Village's share of water usage.

14. Approval of Financial Statements

Council and management have approved these financial statements.