

VILLAGE OF HALKIRK
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Contents:

Independent Auditor's Report
Consolidated Statement of Financial Position
Consolidated Statement of Operations
Consolidated Statement of Change in Net Financial Assets
Consolidated Statement of Cash Flows
Schedule of Changes in Accumulated Surplus
Schedule of Tangible Capital Assets
Schedule of Property and Other Taxes
Schedule of Government Transfers
Schedule of Consolidated Expenses by Object
Notes to Financial Statements

* Kendra Walgenbach, CPA, CA
* Chris Annand, CPA, CA
* Naomi Roth, CPA, CGA

* Guy Chapman, CPA, CA, CFP
Krystal Stoutenberg, CPA, CA

Telephone 403-742-3438
Fax 403-742-0560
P.O. Box 1328
4702 - 51 Avenue
Stettler, Alberta T0C 2L0
www.chapmanandco.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

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

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 consolidated financial statements.

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

* Kendra Walgenbach, CPA, CA
* Chris Annand, CPA, CA
* Naomi Roth, CPA, CGA

* Guy Chapman, CPA, CA, CFP
Krystal Stoutenberg, CPA, CA

Telephone 403-742-3438
Fax 403-742-0560
P.O. Box 1328
4702 - 51 Avenue
Stettler, Alberta T0C 2L0
www.chapmanandco.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

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

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Halkirk as at December 31, 2017, 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.

Stettler, Alberta
April 18, 2018

Chapman and Co.
Professional Accountants LLP

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	378,188	364,827
Receivables		
Taxes and grants in place of taxes (note 3)	10,721	11,638
Trade and other receivables (note 5)	668,963	482,552
Land for resale inventory (note 1f)	6,000	6,000
Investments (notes 1d & 4)	<u>10</u>	<u>10</u>
	<u>1,063,882</u>	<u>865,027</u>
LIABILITIES		
Accounts payable and accrued liabilities	27,827	50,835
Deposit liabilities	-	1,500
Deferred revenue (notes 1b & 6)	<u>630,408</u>	<u>472,314</u>
	<u>658,235</u>	<u>524,499</u>
NET FINANCIAL ASSETS	<u>405,647</u>	<u>340,528</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	2,075,828	2,123,758
Prepaid expenses	<u>4,399</u>	<u>5,756</u>
	<u>2,080,227</u>	<u>2,129,514</u>
ACCUMULATED SURPLUS (note 10)	<u>2,485,874</u>	<u>2,470,042</u>
Commitments - see note 13		

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget \$ (Unaudited)	2017 \$	2016 \$
REVENUE			
Net municipal taxes (Schedule 3)	88,760	87,725	87,330
User fees and sales of goods	170,200	194,335	187,307
Government transfers for operating (Schedule 4)	69,380	71,436	70,863
Investment income	1,500	1,141	1,525
Penalties and cost on taxes	3,000	4,190	3,671
Concession and franchises	1,200	1,238	1,208
Other revenue	<u>11,200</u>	<u>11,404</u>	<u>11,180</u>
Total Revenue	<u>345,240</u>	<u>371,469</u>	<u>363,084</u>
EXPENSES			
Operating			
Legislative	23,100	11,099	11,840
Administration	85,110	81,321	79,753
Protection Services	28,750	32,052	36,515
Roads, streets, walks, lighting	21,395	20,697	21,120
Water supply and distribution	60,650	46,336	78,480
Wastewater treatment and disposal	6,600	9,835	4,467
Waste management	6,400	5,199	6,188
Family and community support	5,175	6,860	6,765
Subdivision land development	-	620	150
Parks and recreation	42,350	39,305	36,415
Cemetaries	3,600	2,549	5,273
Natural gas operations	50,610	48,754	45,441
Amortization of tangible capital assets	<u>-</u>	<u>123,031</u>	<u>122,420</u>
Total Expenses	<u>333,740</u>	<u>427,658</u>	<u>454,827</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>11,500</u>	<u>(56,189)</u>	<u>(91,743)</u>
OTHER			
Contributed assets	4,500	22,321	45,480
Government transfers for capital (Schedule 4)	<u>106,000</u>	<u>49,700</u>	<u>45,325</u>
	<u>110,500</u>	<u>72,021</u>	<u>90,805</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	122,000	15,832	(938)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>2,470,042</u>	<u>2,470,042</u>	<u>2,470,980</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>2,592,042</u>	<u>2,485,874</u>	<u>2,470,042</u>

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget \$ (Unaudited)	2017 \$	2016 \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>122,000</u>	<u>15,832</u>	<u>(938)</u>
Acquisition of tangible capital assets	(120,000)	(52,780)	(53,204)
Contributed tangible capital assets	-	(22,321)	(45,480)
Amortization of tangible capital assets	<u>-</u>	<u>123,031</u>	<u>122,420</u>
	<u>(120,000)</u>	<u>47,930</u>	<u>23,736</u>
Acquisition of prepaid expenses	-	(4,399)	(5,756)
Use of prepaid expenses	<u>-</u>	<u>5,756</u>	<u>3,289</u>
	<u>-</u>	<u>1,357</u>	<u>(2,467)</u>
INCREASE IN NET ASSETS	2,000	65,119	20,331
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>340,528</u>	<u>340,528</u>	<u>320,197</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>342,528</u>	<u>405,647</u>	<u>340,528</u>

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 \$	2016 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	15,832	(938)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	123,031	122,420
Tangible capital assets received as contributions	(17,822)	(45,480)
Non-cash changes to operations (net change):		
Decrease in taxes and grants in place of taxes	917	1,754
Increase in trade and other receivables	(186,411)	(211,875)
Decrease (Increase) in prepaid expenses	1,357	(2,467)
Increase in land held for sale	-	(6,300)
Increase (decrease) in accounts payable and accrued liabilities	(22,858)	14,120
Decrease in deposit liabilities	(1,500)	-
Increase in deferred revenue	<u>158,094</u>	<u>161,873</u>
Cash provided by operating transactions	<u>70,640</u>	<u>33,407</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(57,279)</u>	<u>(53,204)</u>
Cash applied to capital transactions	<u>(57,279)</u>	<u>(53,204)</u>
INVESTING		
Decrease (increase) in restricted cash and temporary investments	<u>17,543</u>	<u>(5,968)</u>
Cash provided (applied) to investing transactions	<u>17,543</u>	<u>(5,968)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	30,904	(25,765)
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	<u>163,551</u>	<u>189,316</u>
CASH AND CASH EQUIVALENT, END OF YEAR (note 2)	<u>194,455</u>	<u>163,551</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (note 2)	378,188	364,827
Less: restricted portion of cash and temporary investments (note 2)	<u>(183,733)</u>	<u>(201,276)</u>
	<u>194,455</u>	<u>163,551</u>

**VILLAGE OF HALKIRK
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 1)**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017 \$	2016 \$
BALANCE, BEGINNING OF YEAR	<u>202,793</u>	<u>143,491</u>	<u>2,123,758</u>	<u>2,470,042</u>	<u>2,470,980</u>
Excess (shortfall) of revenues over expenses	15,832	-	-	15,832	(938)
Unrestricted funds designated for future use	(7,040)	7,040	-	-	-
Current year funds used for tangible capital assets	(52,780)	-	52,780	-	-
Contributed tangible capital assets	(22,321)	-	22,321	-	-
Annual amortization expense	<u>123,031</u>	<u>-</u>	<u>(123,031)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>56,722</u>	<u>7,040</u>	<u>(47,930)</u>	<u>15,832</u>	<u>(938)</u>
BALANCE, END OF YEAR	<u><u>259,515</u></u>	<u><u>150,531</u></u>	<u><u>2,075,828</u></u>	<u><u>2,485,874</u></u>	<u><u>2,470,042</u></u>



**VILLAGE OF HALKIRK
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 2)**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017 \$	2016 \$
POST:								
BALANCE, BEGINNING OF YEAR	50,211	37,678	732,266	3,689,578	416,898	79,490	5,006,121	4,907,437
Acquisition of tangible capital assets	<u>606</u>	<u>-</u>	<u>4,500</u>	<u>49,700</u>	<u>20,295</u>	<u>-</u>	<u>75,101</u>	<u>98,684</u>
BALANCE, END OF YEAR	<u>50,817</u>	<u>37,678</u>	<u>736,766</u>	<u>3,739,278</u>	<u>437,193</u>	<u>79,490</u>	<u>5,081,222</u>	<u>5,006,121</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	21,767	414,108	2,140,814	267,867	37,807	2,882,363	2,759,943
Annual amortization	<u>-</u>	<u>937</u>	<u>14,433</u>	<u>80,782</u>	<u>20,352</u>	<u>6,527</u>	<u>123,031</u>	<u>122,420</u>
BALANCE, END OF YEAR	<u>-</u>	<u>22,704</u>	<u>428,541</u>	<u>2,221,596</u>	<u>288,219</u>	<u>44,334</u>	<u>3,005,394</u>	<u>2,882,363</u>
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>	<u>2,123,758</u>
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>50,211</u>	<u>15,911</u>	<u>318,158</u>	<u>1,548,764</u>	<u>149,031</u>	<u>41,683</u>	<u>2,123,758</u>	

**VILLAGE OF HALKIRK
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 3)**

	Budget (Unaudited)	2017 \$	2016 \$
TAXATION			
Real property taxes	110,770	109,723	109,240
Linear property taxes	<u>2,530</u>	<u>2,537</u>	<u>2,523</u>
	<u>113,300</u>	<u>112,260</u>	<u>111,763</u>
REQUISITIONS			
Alberta School Foundation Fund	21,090	21,087	21,053
Seniors Lodge	<u>3,450</u>	<u>3,448</u>	<u>3,380</u>
	<u>24,540</u>	<u>24,535</u>	<u>24,433</u>
NET MUNICIPAL TAXES	<u><u>88,760</u></u>	<u><u>87,725</u></u>	<u><u>87,330</u></u>

**VILLAGE OF HALKIRK
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 4)**

	Budget (Unaudited)	2017 \$	2016 \$
TRANSFERS FOR OPERATING:			
Provincial Government	30,580	30,566	30,953
Other Local Governments	<u>38,800</u>	<u>40,870</u>	<u>39,905</u>
	<u>69,380</u>	<u>71,436</u>	<u>70,863</u>
TRANSFERS FOR CAPITAL:			
Provincial Government	65,000	49,700	21,325
Other Local Governments	<u>41,000</u>	<u>-</u>	<u>24,000</u>
	<u>106,000</u>	<u>49,700</u>	<u>45,325</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>175,380</u></u>	<u><u>121,136</u></u>	<u><u>116,188</u></u>

VILLAGE OF HALKIRK
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 5)

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	2017 \$	2016 \$
Salaries, wages and benefits	77,050	76,583	80,697
Contracted and general services	124,950	92,534	115,645
Materials, goods and utilities	119,700	125,016	121,733
Provisions for allowances	2,500	1,149	3,462
Transfers to local boards and agencies	8,960	8,760	10,301
Bank charges and short-term interest	580	585	569
Amortization of tangible capital assets	-	123,031	122,420
	<u>333,740</u>	<u>427,658</u>	<u>454,827</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017**

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, 2017**

2. Cash and Temporary Investments

	2017	2016
	\$	\$
Cash	340,688	328,327
Guaranteed investment certificates	<u>37,500</u>	<u>36,500</u>
	<u>378,188</u>	<u>364,827</u>

Guaranteed investment certificate has a maturity of one year or less with an interest rate of 0.75%.

Council has designated funds of \$150,531 (2016 - \$143,491) included in the above amounts for future operating and capital reserves.

Included in cash and guaranteed investment certificates is a restricted amount of \$33,202 (2016 - \$57,785) received from grants and held for specified projects (Note 6).

3. Taxes and Grants in Place of Taxes Receivables

	2017	2016
	\$	\$
Current taxes and grants in place of taxes	7,170	7,311
Arrears tax	<u>5,970</u>	<u>7,124</u>
	13,140	14,435
Less: allowance for doubtful accounts	<u>(2,419)</u>	<u>(2,797)</u>
	<u>10,721</u>	<u>11,638</u>

4. Investments

	2017	2016
	\$	\$
Alberta Municipal Finance Corp - shares	<u>10</u>	<u>10</u>

5. Trade and Other Receivables

	2017	2016
	\$	\$
Trade and other receivables are comprised of the following:		
GST receivable	238	2,113
Water and sewer accounts receivable	34,085	36,301
Grants receivable	597,206	414,529
Other receivables	<u>37,434</u>	<u>29,609</u>
	<u>668,963</u>	<u>482,552</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

6. Deferred Revenue

	2017	2016
	\$	\$
Deferred revenue is comprised of the following:		
Municipal Sustainability Initiative Program - Capital	405,408	322,314
Federal Gas Tax Fund	200,000	150,000
County of Paintearth No. 18	20,000	-
Paintearth Economic Partnership Society	<u>5,000</u>	<u>-</u>
	<u>630,408</u>	<u>472,314</u>

Included in the above figure are \$597,206 (2015 - \$414,529) of grants which are in accounts receivable.

Municipal Sustainability Initiative Program - Capital, Federal Gas Tax Fund, and County of Paintearth No. 18 are restricted to eligible capital projects, as approved under the funding agreement, which are scheduled for completion in 2018 and later. Paintearth Economic Partnership Society is scheduled for completion in 2018.

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:

	2017	2016
	\$	\$
Total debt limit	557,204	544,626
Total debt	<u>-</u>	<u>-</u>
Amount under total debt limit	<u>557,204</u>	<u>544,626</u>
Service on debt limit	92,867	90,771
Service on debt	<u>-</u>	<u>-</u>
Amount under service on debt limit	<u>92,867</u>	<u>90,771</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, 2017**

8. Tangible Capital Assets	2017	2016
	\$	\$
Net Book Value		
Land	50,817	50,211
Land improvements	14,974	15,911
Buildings	308,225	318,158
Engineering structures		
Roadway system	524,459	539,646
Water distribution system	684,709	688,844
Wastewater treatment system	286,030	296,594
Natural gas	22,484	23,380
Machinery, equipment and furnishings	148,974	149,031
Vehicles	<u>35,156</u>	<u>41,583</u>
	<u>2,075,828</u>	<u>2,123,758</u>
9. Equity in Tangible Capital Fund	2017	2016
	\$	\$
Tangible capital assets (Schedule 1)	5,081,222	5,006,121
Accumulated amortization (Schedule 1)	<u>(3,005,394)</u>	<u>(2,882,363)</u>
	<u>2,075,828</u>	<u>2,123,758</u>
10. Accumulated Surplus	2017	2016
	\$	\$
Unrestricted surplus	259,515	202,793
Restricted surplus		
Operating		
Fire	4,000	4,000
General equipment replacement	90,803	90,803
Water and lagoon	25,300	22,300
Recreation, parks and culture	11,164	11,164
Gas	19,264	15,224
Equity in tangible capital assets	<u>2,075,828</u>	<u>2,123,758</u>
	<u>2,485,874</u>	<u>2,470,042</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 \$	2017 \$	2016 \$
Councilor 1	2,930	-	2,930	3,250
Councilor 2	2,670	-	2,670	2,775
Councilor 3	463	-	463	788
Councilor 4	913	-	913	-
Chief Administrative Officer	35,340	2,382	37,722	37,072

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 has committed to pay their portion of the Phase 1 Shirley McClellan Regional Water Services Commissions debenture. The Village's portion of the debenture to be repaid at December 31, 2017 is approximately \$5,239 with semi-annual payments of \$151 including interest at 3.0757%.

14. Approval of Financial Statements

Council and management have approved these financial statements.