

VILLAGE OF HALKIRK
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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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, 2019, 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, 2019, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Matters

- Debt limit regulation - In accordance with Alberta Regulation 255/2000 we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 7.
- Supplementary Accounting Principles and Standards Regulation - In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 11.

Stettler, Alberta
April 08, 2020

Chapman and Co.
Professional Accountants LLP

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019**

	2019 \$	2018 \$
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	725,963	525,694
Receivables		
Taxes and grants in place of taxes (note 3)	5,958	7,387
Trade and other receivables (note 5)	833,239	823,451
Land for resale inventory (note 1f)	6,000	6,000
Investments (notes 1d & 4)	<u>-</u>	<u>10</u>
	<u>1,571,160</u>	<u>1,362,542</u>
LIABILITIES		
Accounts payable and accrued liabilities	29,425	29,192
Deferred revenue (notes 1b & 6)	<u>1,006,640</u>	<u>848,261</u>
	<u>1,036,065</u>	<u>877,453</u>
NET FINANCIAL ASSETS	<u>535,095</u>	<u>485,089</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (note 8)	1,955,374	1,994,605
Prepaid expenses	<u>968</u>	<u>876</u>
	<u>1,956,342</u>	<u>1,995,481</u>
ACCUMULATED SURPLUS (note 10)	<u>2,491,437</u>	<u>2,480,570</u>
Commitments - see note 13		

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget \$ (Unaudited)	2019 \$	2018 \$
REVENUE			
Net municipal taxes (Schedule 3)	88,300	86,835	90,431
User fees and sales of goods	184,600	184,514	178,052
Government transfers for operating (Schedule 4)	91,040	72,749	74,420
Gain on disposal of tangible capital assets	-	-	23,201
Investment income	10,000	10,732	4,970
Penalties and cost on taxes	3,500	3,512	4,579
Concession and franchises	4,000	4,184	3,887
Other revenue	<u>11,400</u>	<u>11,436</u>	<u>11,343</u>
Total Revenue	<u>392,840</u>	<u>373,962</u>	<u>390,883</u>
EXPENSES			
Operating			
Legislative	12,700	9,935	9,439
Administration	84,900	78,163	77,697
Protection Services	38,050	25,123	31,969
Roads, streets, walks, lighting	45,700	27,924	27,178
Water supply and distribution	66,250	60,990	47,981
Wastewater treatment and disposal	6,200	7,474	2,936
Waste management	6,100	7,109	5,695
Family and community support	8,100	7,990	8,885
Planning and development	30,100	7,772	6,531
Parks and recreation	61,800	37,117	32,413
Cemeteries	4,100	4,295	5,231
Natural gas operations	46,840	46,418	40,777
Amortization of tangible capital assets	-	123,816	124,237
Loss on disposal of tangible capital assets	<u>-</u>	<u>1,508</u>	<u>-</u>
Total Expenses	<u>410,840</u>	<u>445,634</u>	<u>420,969</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	<u>(18,000)</u>	<u>(71,672)</u>	<u>(30,086)</u>
OTHER			
Donations from local organizations	-	-	9,032
Government transfers for capital (Schedule 4)	<u>684,000</u>	<u>82,539</u>	<u>15,750</u>
	<u>684,000</u>	<u>82,539</u>	<u>24,782</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	666,000	10,867	(5,304)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>2,480,570</u>	<u>2,480,570</u>	<u>2,485,874</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>3,146,570</u></u>	<u><u>2,491,437</u></u>	<u><u>2,480,570</u></u>

VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>666,000</u>	<u>10,867</u>	<u>(5,304)</u>
Acquisition of tangible capital assets	(689,000)	(91,843)	(43,014)
Contributed tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	5,750	23,202
Amortization of tangible capital assets	-	123,816	124,237
Gain on sale of tangible capital assets	<u>-</u>	<u>1,508</u>	<u>(23,201)</u>
	<u>(689,000)</u>	<u>39,231</u>	<u>81,224</u>
Acquisition of prepaid expenses	-	(968)	(876)
Use of prepaid expenses	<u>-</u>	<u>876</u>	<u>4,399</u>
	<u>-</u>	<u>(92)</u>	<u>3,523</u>
INCREASE IN NET ASSETS	(23,000)	50,006	79,443
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>485,089</u>	<u>485,089</u>	<u>405,646</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>462,089</u>	<u>535,095</u>	<u>485,089</u>

**VILLAGE OF HALKIRK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019 \$	2018 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	10,867	(5,304)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	123,816	124,237
Loss (gain) on disposal of tangible capital assets	1,508	(23,201)
Non-cash changes to operations (net change):		
Decrease in taxes and grants in place of taxes	1,429	3,334
Increase in trade and other receivables	(9,788)	(154,488)
Decrease (increase) in prepaid expenses	(92)	3,523
Increase in accounts payable and accrued liabilities	233	1,365
Increase in deferred revenue	<u>158,379</u>	<u>217,853</u>
Cash provided by operating transactions	<u>286,352</u>	<u>167,319</u>
CAPITAL		
Acquisition of tangible capital assets	(91,843)	(43,014)
Proceeds on disposal of tangible capital assets	<u>5,750</u>	<u>23,201</u>
Cash applied to capital transactions	<u>(86,093)</u>	<u>(19,813)</u>
INVESTING		
Decrease (increase) in restricted cash and temporary investments	(141,719)	(63,595)
Decrease in investments	<u>10</u>	<u>-</u>
Cash provided (applied) to investing transactions	<u>(141,709)</u>	<u>(63,595)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	58,550	83,911
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	<u>278,366</u>	<u>194,455</u>
CASH AND CASH EQUIVALENT, END OF YEAR (note 2)	<u>336,916</u>	<u>278,366</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (note 2)	725,963	525,694
Less: restricted portion of cash and temporary investments (note 2)	<u>(389,047)</u>	<u>(247,328)</u>
	<u>336,916</u>	<u>278,366</u>

**VILLAGE OF HALKIRK
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 1)**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019 \$	2018 \$
BALANCE, BEGINNING 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>
Excess (shortfall) of revenues over expenses	10,867	-	-	10,867	(5,304)
Unrestricted funds designated for future use	(5,000)	5,000	-	-	-
Current year funds used for tangible capital assets	(86,093)	-	86,093	-	-
Disposal of tangible capital assets	1,508	-	(1,508)	-	-
Annual amortization expense	<u>123,816</u>	<u>-</u>	<u>(123,816)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>45,098</u>	<u>5,000</u>	<u>(39,231)</u>	<u>10,867</u>	<u>(5,304)</u>
BALANCE, END OF YEAR	<u>350,006</u>	<u>186,057</u>	<u>1,955,374</u>	<u>2,491,437</u>	<u>2,480,570</u>

**VILLAGE OF HALKIRK
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 2)**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019 \$	2018 \$
COST:								
BALANCE, BEGINNING OF YEAR	50,817	47,671	736,766	3,742,290	460,902	79,490	5,117,936	5,081,222
Acquisition of tangible capital assets	1,500	-	-	-	22,804	-	24,304	43,014
Disposal of tangible capital assets	-	-	-	-	(14,516)	-	(14,516)	(6,300)
Construction-in-progress	-	-	67,539	-	-	-	67,539	-
BALANCE, END OF YEAR	<u>52,317</u>	<u>47,671</u>	<u>804,305</u>	<u>3,742,290</u>	<u>469,190</u>	<u>79,490</u>	<u>5,195,263</u>	<u>5,117,936</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	24,140	442,974	2,297,231	308,125	50,861	3,123,331	3,005,394
Annual amortization	-	1,436	14,433	80,662	20,758	6,527	123,816	124,237
Accumulated amortization on disposals	-	-	-	-	(7,258)	-	(7,258)	(6,300)
BALANCE, END OF YEAR	<u>-</u>	<u>25,576</u>	<u>457,407</u>	<u>2,377,893</u>	<u>321,625</u>	<u>57,388</u>	<u>3,239,889</u>	<u>3,123,331</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>52,317</u>	<u>22,095</u>	<u>346,898</u>	<u>1,364,397</u>	<u>147,565</u>	<u>22,102</u>	<u>1,955,374</u>	<u>1,994,605</u>
2018 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>	

**VILLAGE OF HALKIRK
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 3)**

	Budget (Unaudited)	2019 \$	2018 \$
TAXATION			
Real property taxes	111,630	110,586	111,266
Linear property taxes	<u>2,660</u>	<u>2,633</u>	<u>2,589</u>
	<u>114,290</u>	<u>113,219</u>	<u>113,855</u>
 REQUISITIONS			
Alberta School Foundation Fund	21,050	21,463	21,054
Designated Industrial	20	-	8
Seniors Lodge	<u>4,920</u>	<u>4,921</u>	<u>2,362</u>
	<u>25,990</u>	<u>26,384</u>	<u>23,424</u>
 NET MUNICIPAL TAXES	<u><u>88,300</u></u>	<u><u>86,835</u></u>	<u><u>90,431</u></u>

**VILLAGE OF HALKIRK
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 4)**

	Budget (Unaudited)	2019 \$	2018 \$
TRANSFERS FOR OPERATING:			
Provincial Government	51,240	34,809	35,724
Other Local Governments	<u>39,800</u>	<u>37,940</u>	<u>38,696</u>
	<u>91,040</u>	<u>72,749</u>	<u>74,420</u>
 TRANSFERS FOR CAPITAL:			
Provincial Government	669,000	82,539	-
Other Local Governments	<u>15,000</u>	<u>-</u>	<u>15,750</u>
	<u>684,000</u>	<u>82,539</u>	<u>15,750</u>
 TOTAL GOVERNMENT TRANSFERS	<u><u>775,040</u></u>	<u><u>155,288</u></u>	<u><u>90,170</u></u>

VILLAGE OF HALKIRK
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 5)

CONSOLIDATED EXPENSES BY OBJECT	Budget (Unaudited)	2019 \$	2018 \$
Salaries, wages and benefits	82,650	76,597	77,923
Contracted and general services	183,475	104,701	87,359
Materials, goods and utilities	132,240	126,267	120,215
Provisions for allowances (recovery)	2,500	849	(1,949)
Transfers to local boards and agencies	9,875	11,806	12,775
Bank charges and short-term interest	100	90	409
Amortization of tangible capital assets	-	123,816	124,237
Loss on disposal of tangible capital assets	-	1,508	-
	<u>410,840</u>	<u>445,634</u>	<u>420,969</u>

**VILLAGE OF HALKIRK
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019
(Schedule 6)**

	General Government	Protective Services	Transportation Services	Utility Services	Recreation & Culture	Subdivision & Development	Community Services	Total
REVENUE:								
Net municipal taxes	86,835	-	-	-	-	-	-	86,835
Operating government transfers	6,688	20,640	7,481	3,000	26,000	4,000	4,940	72,749
User fees and sales of goods	1,808	3,988	-	168,797	9,821	-	100	184,514
Investment income	10,732	-	-	-	-	-	-	10,732
Penalties	3,512	-	-	-	-	-	-	3,512
Franchise and other revenues	15,620	-	-	-	-	-	-	15,620
	<u>125,195</u>	<u>24,628</u>	<u>7,481</u>	<u>171,797</u>	<u>35,821</u>	<u>4,000</u>	<u>5,040</u>	<u>373,962</u>
EXPENSES:								
Contract and general services	23,257	14,245	1,271	43,297	20,561	1,400	670	104,701
Salaries and wages	45,382	3,138	7,820	5,852	7,655	1,950	4,800	76,597
Goods and supplies	17,297	7,740	18,833	71,563	8,901	1,317	615	126,266
Transfers to local boards	1,222	-	-	1,279	-	3,105	6,200	11,806
Other expenses	940	-	1,508	-	-	-	-	2,448
	<u>88,098</u>	<u>25,123</u>	<u>29,432</u>	<u>121,991</u>	<u>37,117</u>	<u>7,772</u>	<u>12,285</u>	<u>321,818</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION	<u>37,097</u>	<u>(495)</u>	<u>(21,951)</u>	<u>49,806</u>	<u>(1,296)</u>	<u>(3,772)</u>	<u>(7,245)</u>	<u>52,144</u>
Amortization	<u>(11,074)</u>	<u>(11,218)</u>	<u>(52,166)</u>	<u>(37,826)</u>	<u>(11,532)</u>	<u>-</u>	<u>-</u>	<u>(123,816)</u>
NET REVENUE (DEFICIT)	<u>26,023</u>	<u>(11,713)</u>	<u>(74,117)</u>	<u>11,980</u>	<u>(12,828)</u>	<u>(3,772)</u>	<u>(7,245)</u>	<u>(71,672)</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019**

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, 2019**

2. Cash and Temporary Investments

	2019 \$	2018 \$
Cash	725,963	487,894
Guaranteed investment certificates	<u>-</u>	<u>37,800</u>
	<u>725,963</u>	<u>525,694</u>

Guaranteed investment certificate matured during the year.

Council has designated funds of \$186,057 (2018 - \$181,057) included in the above amounts for future operating and capital reserves.

Included in cash and guaranteed investment certificates is a restricted amount of \$202,990 (2018 - \$66,272) received from grants and held for specified projects (Note 6).

3. Taxes and Grants in Place of Taxes Receivables

	2019 \$	2018 \$
Current taxes and grants in place of taxes	5,910	4,963
Arrears tax	<u>2,197</u>	<u>3,753</u>
	8,107	8,716
Less: allowance for doubtful accounts	<u>(2,149)</u>	<u>(1,329)</u>
	<u>5,958</u>	<u>7,387</u>

4. Investments

	2019 \$	2018 \$
Alberta Municipal Finance Corp - shares	<u>-</u>	<u>10</u>

5. Trade and Other Receivables

	2019 \$	2018 \$
Trade and other receivables are comprised of the following:		
GST receivable (payable)	3,156	(474)
Water and sewer accounts receivable	22,488	25,528
Grants receivable	803,650	781,989
Other receivables	4,641	17,076
Allowance for doubtful accounts	<u>(696)</u>	<u>(668)</u>
	<u>833,239</u>	<u>823,451</u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
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6. Deferred Revenue	2019	2018
	\$	\$
Deferred revenue is comprised of the following:		
ACP - Local Land Use Planner	20,440	20,025
Municipal Sustainability Initiative Program - Capital	578,200	540,236
Gas Tax Fund	350,000	250,000
County of Paintearth No. 18	48,000	28,000
Paintearth Waste Management	<u>10,000</u>	<u>10,000</u>
	<u>1,006,640</u>	<u>848,261</u>

Included in the above figure are \$803,650 (2018 - \$781,989) 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:

	2019	2018
	\$	\$
Total debt limit	560,943	586,325
Total debt	<u>-</u>	<u>-</u>
Amount under total debt limit	<u>560,943</u>	<u>586,325</u>
Service on debt limit	93,491	97,721
Service on debt	<u>-</u>	<u>-</u>
Amount under service on debt limit	<u>93,491</u>	<u>97,721</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
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8. Tangible Capital Assets	2019	2018
	\$	\$
Net Book Value		
Land	52,317	50,817
Land improvements	22,095	23,531
Buildings	346,898	293,792
Engineering structures		
Roadway system	435,475	481,113
Water distribution system	643,930	667,194
Wastewater treatment system	264,901	275,465
Natural gas	20,091	21,287
Machinery, equipment and furnishings	147,565	152,777
Vehicles	<u>22,102</u>	<u>28,629</u>
	<u><u>1,955,374</u></u>	<u><u>1,994,605</u></u>
9. Equity in Tangible Capital Fund	2019	2018
	\$	\$
Tangible capital assets (Schedule 1)	5,195,263	5,117,936
Accumulated amortization (Schedule 1)	<u>(3,239,889)</u>	<u>(3,123,331)</u>
	<u><u>1,955,374</u></u>	<u><u>1,994,605</u></u>
10. Accumulated Surplus	2019	2018
	\$	\$
Unrestricted surplus	350,006	304,908
Restricted surplus		
Operating		
Fire	4,000	4,000
General equipment replacement	114,003	114,003
Water and lagoon	28,300	28,300
Recreation, parks and culture	11,164	11,164
Gas	28,590	23,590
Equity in tangible capital assets	<u>1,955,374</u>	<u>1,994,605</u>
	<u><u>2,491,437</u></u>	<u><u>2,480,570</u></u>

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 \$	2019 \$	2018 \$
Councilor 1	2,200	-	2,200	2,025
Councilor 2	2,025	-	2,025	2,025
Councilor 3	3,520	-	3,520	2,875
Chief Administrative Officer	36,645	2,521	39,166	38,978

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 2019 were \$5,387 (2018 - \$304). At December 31, 2019, the Village's share of the remaining principal balance is estimated at \$4,847. Payments for 2020 are expected to total \$308 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.

The Village has entered into a contract to construct a new Fire Hall. During the year, construction in progress was incurred in the amount of \$67,539 (Schedule 2). An additional amount of \$57,111 will be incurred subsequent to year end to complete the project. This amount will be covered by deferred capital funding.

**VILLAGE OF HALKIRK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

14. Segmented Disclosure

The Village 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 6).

15. Approval of Financial Statements

Council and management have approved these financial statements.