

**VILLAGE OF HAY LAKES**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Brian King Professional Corporation  
Certified General Accountant**



**INDEPENDENT AUDITOR'S REPORT**

**To the Mayor and Council of the Village of Hay Lakes:**

*Report on the Consolidated Financial Statements*

I have audited the accompanying consolidated financial statements of the Village of Hay Lakes, which comprise the statement of financial position as at December 31, 2015, and the 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*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 the 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Hay Lakes as at December 31, 2015, 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.

M.D. of Wainwright

April 18, 2016

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to be the initials "BK" followed by a long, sweeping horizontal line.

Certified General Accountant

# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	2,280,382	498,483
Taxes and grants in place of taxes (Note 3)	20,482	26,804
Trade and other receivables	41,633	36,456
Due from other governments	233,974	664,382
Inventory held for resale	122,288	203,814
	<u>2,698,759</u>	<u>1,429,939</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	31,045	35,289
Deposits held in trust	2,000	2,000
Deferred revenue (Note 5)	797,168	524,326
Long term debt (Note 6)	840,000	-
	<u>1,670,213</u>	<u>561,615</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,028,546</u>	<u>868,324</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	2,814,697	2,930,391
Prepaid expenses	13,005	-
	<u>2,827,702</u>	<u>2,930,391</u>
<b>ACCUMULATED SURPLUS (NOTE 9)</b>	<u>3,856,248</u>	<u>3,798,715</u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	342,422	<b>350,081</b>	323,128
User fees and sales of goods	238,235	<b>436,886</b>	366,092
Penalties and costs on taxes	10,250	<b>10,193</b>	9,371
Licenses and permits	1,500	<b>2,596</b>	1,060
Franchise and concession contracts	9,000	<b>13,388</b>	9,083
Investment income	4,200	<b>13,819</b>	2,026
Government transfers for operating <i>fire dept</i>	71,934	<b>21,909</b>	57,454
Other	1,375	<b>14,222</b>	5,478
	<u>678,916</u>	<u><b>863,094</b></u>	<u>773,692</u>
<b>EXPENSES</b>			
Legislative	30,600	<b>18,210</b>	23,034
Administration	162,575	<b>128,609</b>	111,911
Protective services	66,654	<b>43,529</b>	20,369
Transportation	161,700	<b>145,303</b>	115,957
Water supply and distribution	119,875	<b>117,626</b>	102,505
Wastewater treatment and disposal	34,075	<b>29,270</b>	57,078
Waste management	52,215	<b>49,825</b>	52,099
Public health and welfare	2,600	<b>2,376</b>	2,376
Planning and development	6,495	<b>84,388</b>	66,009
Recreation	41,660	<b>36,707</b>	30,607
Culture	17,367	<b>11,871</b>	10,787
Amortization	-	<b>137,847</b>	138,738
	<u>695,816</u>	<u><b>805,561</b></u>	<u>731,470</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(16,900)	<b>57,533</b>	42,222
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	25,500	-	159,023
<b>EXCESS OF REVENUE OVER EXPENSES</b>	8,600	<b>57,533</b>	201,245
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>3,798,715</u>	<u><b>3,798,715</b></u>	<u>3,597,470</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>3,807,315</u></u>	<u><u><b>3,856,248</b></u></u>	<u><u>3,798,715</u></u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (unaudited)	2015	2014
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>8,600</u>	<u>57,533</u>	<u>201,245</u>
Acquisition of tangible capital assets	-	(22,153)	(187,302)
Amortization of tangible capital assets	-	<u>137,847</u>	<u>138,738</u>
	-	<u>115,694</u>	<u>(48,564)</u>
Net (increase) decrease of prepaid assets	-	<u>(13,005)</u>	-
<b>INCREASE IN NET FINANCIAL ASSETS</b>	<u>8,600</u>	<u>160,222</u>	<u>152,681</u>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>868,324</u>	<u>868,324</u>	<u>715,643</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>876,924</u>	<u>1,028,546</u>	<u>868,324</u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	57,533	201,245
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	137,847	138,738
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	6,322	(10,692)
Decrease (increase) in due from other governments	430,408	(266,577)
Decrease (increase) in trade and other receivables	(5,177)	(3,664)
Decrease (increase) in inventory held for resale	81,526	46,748
Decrease (increase) in prepaid expenses	(13,005)	-
Increase (decrease) in accounts payable and accrued liabilities	(4,244)	(5,989)
Increase (decrease) in deferred revenue	272,842	87,317
	<u>964,052</u>	<u>187,126</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	<u>(22,153)</u>	<u>(187,302)</u>
<b>FINANCING</b>		
Long-term debt issued	<u>840,000</u>	<u>-</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>1,781,899</b>	<b>(176)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>498,483</u>	<u>498,659</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>2,280,382</u></u>	<u><u>498,483</u></u>

# VILLAGE OF HAY LAKES

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
<b>BALANCE, BEGINNING OF YEAR</b>	594,213	274,111	2,930,391	<b>3,798,715</b>	3,597,470
Excess (deficiency) of revenues over expenses	57,533	-	-	57,533	201,245
Current year funds used for tangible capital assets	(22,153)	-	22,153	-	-
Annual amortization expense	137,847	-	(137,847)	-	-
Long term debt issued	-	840,000	(840,000)	-	-
Change in accumulated surplus	173,227	840,000	(955,694)	57,533	201,245
<b>BALANCE, END OF YEAR</b>	<b>767,440</b>	<b>1,114,111</b>	<b>1,974,697</b>	<b>3,856,248</b>	<b>3,798,715</b>

## VILLAGE OF HAY LAKES

### CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2015	2014
<b>COST:</b>								
Balance - beginning of year	329,467	171,424	407,421	4,311,190	806,789	64,499	6,090,790	5,903,488
Acquisition of tangible capital assets	-	-	-	22,153	-	-	22,153	187,302
Balance - end of year	329,467	171,424	407,421	4,333,343	806,789	64,499	6,112,943	6,090,790
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	163,066	264,795	2,312,472	384,709	35,357	3,160,399	3,021,661
Annual amortization	-	924	7,633	82,786	40,896	5,608	137,847	138,738
Balance - end of year	-	163,990	272,428	2,395,258	425,605	40,965	3,298,246	3,160,399
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>								
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	329,467	8,358	142,626	1,998,718	422,080	29,142	2,930,391	2,930,391
	329,467	7,434	134,993	1,938,085	381,184	23,534	2,814,697	2,930,391



# VILLAGE OF HAY LAKES

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 3)

	Budget (Unaudited)	2015	2014
<b>TAXATION</b>			
Real property taxes	439,113	<b>446,773</b>	420,291
Linear property taxes	6,336	<b>6,336</b>	6,257
	<u>445,449</u>	<u><b>453,109</b></u>	<u>426,548</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	103,027	<b>103,028</b>	103,420
<b>NET MUNICIPAL TAXES</b>	<u>342,422</u>	<u><b>350,081</b></u>	<u>323,128</u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 4)

	Budget (Unaudited)	2015	2014
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	29,129	-	30,433
Local Governments	42,805	<b>21,909</b>	27,021
	<u>71,934</u>	<u><b>21,909</b></u>	<u>57,454</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	25,500	-	159,023
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>97,434</u>	<u><b>21,909</b></u>	<u>216,477</u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 5)

	Budget (Unaudited)	2015	2014
<b>Expenditures</b>			
Salaries, wages and benefits	285,645	<b>242,743</b>	209,721
Contracted and general services	227,374	<b>145,429</b>	155,063
Materials, goods and utilities	133,320	<b>224,703</b>	185,607
Provision for allowances	-	<b>913</b>	370
Transfers to local boards and agencies	48,777	<b>47,481</b>	41,507
Bank charges and short term interest	700	<b>1,377</b>	464
Interest on capital long term debt	-	<b>5,068</b>	-
Amortization of tangible capital assets	-	<b>137,847</b>	138,738
	<u>695,816</u>	<u><b>805,561</b></u>	<u>731,470</u>

## VILLAGE OF HAY LAKES

### SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2015 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net municipal property taxes (Schedule 2)	350,081	-	-	-	-	-	-	350,081
User fees and sales of goods	1,304	7,151	-	204,346	-	193,003	31,082	436,886
Penalties and costs on taxes	7,393	-	-	2,800	-	-	-	10,193
Licenses and permits	298	2,298	-	-	-	-	-	2,596
Franchise and concession contracts	13,388	-	-	-	-	-	-	13,388
Investment income	13,819	-	-	-	-	-	-	13,819
Government transfers	-	21,909	-	-	-	-	-	21,909
Other	3,116	-	-	-	-	7,749	3,357	14,222
	<u>389,399</u>	<u>31,358</u>	<u>-</u>	<u>207,146</u>	<u>-</u>	<u>200,752</u>	<u>34,439</u>	<u>863,094</u>
<b>EXPENSES</b>								
Salaries, wages and benefits	96,518	6,980	72,873	49,054	-	-	17,318	242,743
Contracted and general services	45,083	13,913	12,798	66,802	-	2,008	4,825	145,429
Materials, goods and utilities	2,928	22,636	54,564	56,396	-	82,380	5,799	224,703
Provision for allowances	913	-	-	-	-	-	-	913
Transfers to local boards and agencies	-	-	-	24,469	2,376	-	20,636	47,481
Bank charges and short term interest	1,377	-	-	-	-	-	-	1,377
Interest on capital long term debt	-	-	5,068	-	-	-	-	5,068
	<u>146,819</u>	<u>43,529</u>	<u>145,303</u>	<u>196,721</u>	<u>2,376</u>	<u>84,388</u>	<u>48,578</u>	<u>667,714</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>242,580</u>	<u>(12,171)</u>	<u>(145,303)</u>	<u>10,425</u>	<u>(2,376)</u>	<u>116,364</u>	<u>(14,139)</u>	<u>195,380</u>
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>								
Amortization of tangible capital assets	3,756	11,983	62,188	53,553	-	-	6,367	137,847
<b>NET REVENUE</b>	<u>238,824</u>	<u>(24,154)</u>	<u>(207,491)</u>	<u>(43,128)</u>	<u>(2,376)</u>	<u>116,364</u>	<u>(20,506)</u>	<u>57,533</u>

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Hay Lakes are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the village are as follows:

#### **a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues 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 are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

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

#### **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 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.

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 expenditure 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 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.

#### 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.

#### 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 levelling 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.

#### g) 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.

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### h) 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:

	YEARS
Buildings	25-50
Engineered structures - other	10-40
Engineered structures - water system	45-75
Engineered structures - wastewater system	45-75
Land improvements	15-45
Machinery and equipment	5-25
Vehicles	10-25

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.

#### iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

#### v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 2. CASH AND TERM DEPOSITS

	<u>2015</u>	<u>2014</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 5)	<b>574,326</b>	111,181
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	<b>1,114,111</b>	<u>274,111</u>
Total restricted cash and term deposits	<b><u>1,688,437</u></b>	<u>385,292</u>
Total unrestricted cash and term deposits	<b><u>591,945</u></b>	<u>113,191</u>

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2015</u>	<u>2014</u>
Current taxes and grants in place of taxes	<b>10,936</b>	18,825
Arrears taxes	<b>9,546</b>	7,979
	<b><u>20,482</u></b>	<u>26,804</u>

### 4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$100,000 bearing interest at prime, secured by all assets of the village at large.

### 5. DEFERRED INCOME

Deferred income consists of the following:	<u>2015</u>	<u>2014</u>
Federal Gas Tax	<b>100,000</b>	50,000
Municipal Sustainability Initiative - capital	<b>668,039</b>	474,326
Municipal Sustainability Initiative - operating	<b>29,129</b>	-
	<b><u>797,168</u></b>	<u>524,326</u>



# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 6. LONG TERM DEBT

		<u>2015</u>	<u>2014</u>
Alberta Capital Finance Authority		<b>840,000</b>	-
Principal and interest payments are as follows:			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	85,644	16,980	102,624
2017	86,893	15,731	102,624
2018	88,164	14,460	102,624
2019	89,458	13,166	102,624
2020	90,775	11,849	102,624
Thereafter	399,066	89,530	488,596
	<u>840,000</u>	<u>161,716</u>	<u>1,001,716</u>

Debenture debt repayable to Alberta Capital Finance Authority and bears interest at 1.088% to 2.718% and matures in 2020 to 2035 and is secured by the credit and security of the village at large.

The village's total cash payments for interest in 2015 were \$0.

### 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 of Hay Lakes be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	<b>1,294,641</b>	1,042,470
Total debt	<b>840,000</b>	-
Surplus debt limit	<b>454,641</b>	1,042,470
Debt servicing limit	<b>215,774</b>	173,745
Debt servicing	<b>102,624</b>	-
Surplus debt servicing	<b>113,150</b>	173,745

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

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Tangible capital assets (Schedule 2)	6,112,943	6,090,790
Accumulated amortization (Schedule 2)	(3,298,246)	(3,160,399)
Long-term debt (Note 6)	(840,000)	-
	<u>1,974,697</u>	<u>2,930,391</u>

### 9. ACCUMULATED SURPLUS

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

	<u>2015</u>	<u>2014</u>
<b>Unrestricted surplus</b>	<u>767,440</u>	<u>594,213</u>
<b>Restricted surplus</b>		
Paving debenture	840,000	-
General	274,111	274,111
	<u>1,114,111</u>	<u>274,111</u>
<b>Equity in tangible capital assets</b>	<u>1,974,697</u>	<u>2,930,391</u>
	<u>3,856,248</u>	<u>3,798,715</u>

### 10. SEGMENTED DISCLOSURE

The Village of Hay Lakes 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)

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 11. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer as required by Alberta Regulation 313/2000 is as follows:

	2015			2014
	Salary	Benefits & Allowances	Total	Total
Leicht	3,450	-	3,450	3,800
Patten	4,200	-	4,200	4,319
Schultz G.	3,000	-	3,000	3,000
Skaret	4,200	35	4,235	4,515
Yearwood	3,436	20	3,456	4,331
CAO	67,723	5,075	72,798	59,577

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.

### 12. COMMITMENTS

The village is a member of the Capital Region Southwest Water Services Commission, as part of the membership, the village has committed to make monthly payments to cover the village's share of the debenture used to construct water line extension to service the village. The total annual payments due per year is \$24,472 until 2034.

### 13. 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.

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

### 14. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities 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 receivable 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 fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their fair value.

### 15. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The village has prepared its budget according to the former accounting standards that were in place prior to 2009 which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2015	2014
Excess of revenue over expenditures, per financial statements	8,600	57,533	201,245
Adjustments			
Amortization expense	-	137,847	138,738
Acquisition of tangible capital assets	(3,000)	(22,153)	(187,302)
Results of operations - previous methods	5,600	173,227	152,681
Net transfers (to) from reserves	(6,500)	(840,000)	-
Debenture issued	-	840,000	-
Increase (decrease) in unrestricted surplus	(900)	173,227	152,681

### 16. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

### 17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.