

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

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, 2017, 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, 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.

M.D. of Wainwright

April 16, 2018

A handwritten signature in black ink, appearing to read "Brian King".

Brian King Professional Corporation

Chartered Professional Accountant

VILLAGE OF HAY LAKES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash (Note 2)	98,035	14,511
Taxes and grants in place of taxes (Note 3)	40,508	24,620
Trade and other receivables	46,049	42,403
Due from other governments	285,936	391,299
Local improvement levy receivable	423,068	441,098
Inventory held for resale	417,898	452,586
	<u>1,311,494</u>	<u>1,366,517</u>
LIABILITIES		
Bank indebtedness (Note 4)	-	43,242
Accounts payable and accrued liabilities	47,346	233,234
Deposits held in trust	2,000	1,000
Deferred revenue (Note 5)	5,944	5,687
Long term debt (Note 6)	667,462	754,356
	<u>722,752</u>	<u>1,037,519</u>
NET FINANCIAL ASSETS	<u>588,742</u>	<u>328,998</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>4,752,217</u>	<u>4,946,296</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>5,340,959</u>	<u>5,275,294</u>

VILLAGE OF HAY LAKES

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Net municipal property taxes (Schedule 3)	364,912	339,545	783,353
User fees and sales of goods	261,985	289,210	295,219
Penalties and costs on taxes	10,250	12,653	12,876
Licenses and permits	2,900	2,770	3,071
Fines	-	546	77
Franchise and concession contracts	16,500	20,752	18,050
Investment income	250	13,762	37,257
Government transfers for operating	62,001	50,157	83,866
Other	1,375	18,641	16,331
	<u>720,173</u>	<u>748,036</u>	<u>1,250,100</u>
EXPENSES			
Legislative	37,600	31,836	29,539
Administration	151,630	148,331	127,399
Protective services	66,155	42,157	30,400
Transportation	205,019	143,134	139,988
Water supply and distribution	143,272	123,478	124,727
Wastewater treatment and disposal	34,950	61,415	30,387
Waste management	73,973	73,107	103,924
Public health and welfare	3,067	2,867	2,613
Planning and development	6,495	33,420	25,821
Recreation	45,460	43,850	43,036
Culture	16,153	12,201	12,275
Amortization	-	222,432	180,000
Loss (gain) on disposal of assets	-	(5,840)	-
	<u>783,774</u>	<u>932,388</u>	<u>850,109</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(63,601)	(184,352)	399,991
OTHER			
Government transfers for capital (Schedule 4)	126,574	250,017	1,019,055
EXCESS OF REVENUE OVER EXPENSES	62,973	65,665	1,419,046
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>5,275,294</u>	<u>5,275,294</u>	<u>3,856,248</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>5,338,267</u></u>	<u><u>5,340,959</u></u>	<u><u>5,275,294</u></u>

VILLAGE OF HAY LAKES

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
EXCESS OF REVENUE OVER EXPENSES	<u>62,973</u>	<u>65,665</u>	<u>1,419,046</u>
Acquisition of tangible capital assets	-	(30,513)	(2,311,599)
Proceeds on disposal of tangible capital assets	-	8,000	-
Amortization of tangible capital assets	-	222,432	180,000
Loss (gain) on sale of tangible capital assets	-	(5,840)	-
	<u>-</u>	<u>194,079</u>	<u>(2,131,599)</u>
Net (increase) decrease of prepaid assets	-	-	13,005
INCREASE IN NET FINANCIAL ASSETS	<u>62,973</u>	<u>259,744</u>	<u>(699,548)</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>328,998</u>	<u>328,998</u>	<u>1,028,546</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>391,971</u></u>	<u><u>588,742</u></u>	<u><u>328,998</u></u>

VILLAGE OF HAY LAKES

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 of revenues over expenses	65,665	1,419,046
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	222,432	180,000
Loss (gain) on disposal of tangible capital assets	(5,840)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(15,888)	(533)
Decrease (increase) in due from other governments	105,363	(157,325)
Decrease (increase) in trade and other receivables	(3,646)	(770)
Decrease (increase) in local improvement levy receivable	18,030	(441,098)
Decrease (increase) in inventory held for resale	34,688	(330,298)
Decrease (increase) in prepaid expenses	-	13,005
Increase (decrease) in accounts payable and accrued liabilities	(185,888)	202,189
Increase (decrease) in deposits held in trust	1,000	(1,000)
Increase (decrease) in deferred revenue	257	(795,086)
	236,173	88,130
CAPITAL		
Acquisition of tangible capital assets	(30,513)	(2,311,599)
Sale of tangible capital assets	8,000	-
	(22,513)	(2,311,599)
FINANCING		
Long-term debt repaid	(86,894)	(85,644)
	(86,894)	(85,644)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	126,766	(2,309,113)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(28,731)	2,280,382
CASH AND CASH EQUIVALENTS, END OF YEAR	98,035	(28,731)
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash	98,035	14,511
Bank indebtedness	-	(43,242)
	98,035	(28,731)

VILLAGE OF HAY LAKES

**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	809,243	274,111	4,191,940	5,275,294	3,856,248
Excess (deficiency) of revenues over expenses	65,665	-	-	65,665	1,419,046
Current year funds used for tangible capital assets	(30,513)	-	30,513	-	-
Disposal of tangible capital assets	2,160	-	(2,160)	-	-
Annual amortization expense	222,432	-	(222,432)	-	-
Long term debt repaid	(86,894)	-	86,894	-	-
Change in accumulated surplus	172,850	-	(107,185)	65,665	1,419,046
BALANCE, END OF YEAR	982,093	274,111	4,084,755	5,340,959	5,275,294

VILLAGE OF HAY LAKES

**CONSOLIDATED 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
COST:								
Balance - beginning of year	329,467	171,424	407,421	5,817,139	806,789	64,499	7,596,739	6,112,943
Acquisition of tangible capital assets	-	-	-	-	30,513	-	30,513	2,311,599
Disposal of tangible capital assets	-	-	-	-	14,400	-	14,400	827,803
Balance - end of year	329,467	171,424	407,421	5,817,139	822,902	64,499	7,612,852	7,596,739
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	164,914	280,011	1,696,504	482,442	46,572	2,650,443	3,298,246
Annual amortization	-	924	7,532	174,979	33,390	5,607	222,432	180,000
Accumulated amortization on disposals	-	-	-	-	12,240	-	12,240	827,803
Balance - end of year	-	165,838	287,543	1,871,483	483,592	52,179	2,860,635	2,650,443
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	329,467	5,586	119,878	3,945,656	339,310	12,320	4,752,217	4,946,296
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	329,467	6,510	127,410	4,120,635	344,347	17,927	4,946,296	

VILLAGE OF HAY LAKES

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 3)

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	437,812	445,040	428,274
Linear property taxes	5,990	5,990	5,626
Local improvement levy	32,594	-	458,650
	<u>476,396</u>	<u>451,030</u>	<u>892,550</u>
REQUISITIONS			
Alberta School Foundation	<u>111,484</u>	<u>111,485</u>	<u>109,197</u>
NET MUNICIPAL TAXES	<u>364,912</u>	<u>339,545</u>	<u>783,353</u>

VILLAGE OF HAY LAKES

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

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Provincial Government	35,851	35,851	65,802
Local Governments	26,150	14,306	18,064
	<u>62,001</u>	<u>50,157</u>	<u>83,866</u>
TRANSFERS FOR CAPITAL			
Federal Government	97,054	50,000	150,000
Provincial Government	29,520	200,017	869,055
	<u>126,574</u>	<u>250,017</u>	<u>1,019,055</u>
TOTAL GOVERNMENT TRANSFERS	<u>188,575</u>	<u>300,174</u>	<u>1,102,921</u>

VILLAGE OF HAY LAKES

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

	Budget (Unaudited)	2017	2016
Expenditures			
Salaries, wages and benefits	295,650	283,017	244,879
Contracted and general services	257,383	202,342	210,870
Materials, goods and utilities	172,920	163,593	150,926
Provision for allowances	-	-	155
Transfers to local boards and agencies	53,152	48,605	45,165
Bank charges and short term interest	1,500	2,879	1,499
Interest on capital long term debt	-	15,360	16,615
Amortization of tangible capital assets	-	222,432	180,000
Loss on disposal of tangible capital assets	-	(5,840)	-
	<u>783,774</u>	<u>932,388</u>	<u>850,109</u>

VILLAGE OF HAY LAKES
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	339,545	-	-	-	-	-	-	339,545
User fees and sales of goods	1,300	557	-	208,274	-	47,000	32,079	289,210
Penalties and costs on taxes	9,678	-	-	2,975	-	-	-	12,653
Licenses and permits	600	2,170	-	-	-	-	-	2,770
Fines	-	546	-	-	-	-	-	546
Franchise and concession contracts	20,752	-	-	-	-	-	-	20,752
Investment income	13,762	-	-	-	-	-	-	13,762
Government transfers	35,851	14,308	-	-	-	-	-	50,157
Other	16,734	1,250	-	-	-	657	-	18,641
	<u>438,222</u>	<u>18,829</u>	<u>-</u>	<u>211,249</u>	<u>-</u>	<u>47,657</u>	<u>32,079</u>	<u>748,036</u>
EXPENSES								
Salaries, wages and benefits	111,818	9,645	77,308	64,676	-	-	19,570	283,017
Contracted and general services	53,196	17,912	6,965	106,764	-	11,781	5,724	202,342
Materials, goods and utilities	12,274	14,600	43,501	62,088	-	21,639	9,491	163,593
Transfers to local boards and agencies	-	-	-	24,472	2,867	-	21,286	48,605
Bank charges and short term interest	2,879	-	-	-	-	-	-	2,879
Interest on capital long term debt	-	-	15,360	-	-	-	-	15,360
	<u>180,167</u>	<u>42,157</u>	<u>143,134</u>	<u>258,000</u>	<u>2,867</u>	<u>33,420</u>	<u>66,051</u>	<u>715,796</u>
NET REVENUE, BEFORE AMORTIZATION	<u>258,055</u>	<u>(23,328)</u>	<u>(143,134)</u>	<u>(46,751)</u>	<u>(2,867)</u>	<u>14,237</u>	<u>(23,972)</u>	<u>32,240</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	3,755	4,702	153,983	53,625	-	-	6,367	222,432
Loss (gain) on disposal of tangible capital asse	-	-	(5,840)	-	-	-	-	(5,840)
	<u>3,755</u>	<u>4,702</u>	<u>148,143</u>	<u>53,625</u>	<u>-</u>	<u>-</u>	<u>6,367</u>	<u>216,592</u>
NET REVENUE	<u>254,300</u>	<u>(28,030)</u>	<u>(291,277)</u>	<u>(100,376)</u>	<u>(2,867)</u>	<u>14,237</u>	<u>(30,339)</u>	<u>(184,352)</u>

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017

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, 2017

2. CASH AND TERM DEPOSITS

	<u>2017</u>	<u>2016</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)	-	-
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	<u>98,035</u>	<u>14,511</u>
Total restricted cash and term deposits	<u>98,035</u>	<u>14,511</u>
Total unrestricted cash and term deposits	<u>-</u>	<u>-</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2017</u>	<u>2016</u>
Current taxes and grants in place of taxes	<u>26,513</u>	17,149
Arrears taxes	<u>13,995</u>	7,471
	<u>40,508</u>	<u>24,620</u>

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$200,000 bearing interest at prime, secured by all assets of the village at large.

5. DEFERRED INCOME

Deferred income consists of the following:	<u>2017</u>	<u>2016</u>
Municipal Sustainability Initiative - operating	<u>358</u>	-
Prepaid property taxes	<u>5,586</u>	<u>5,687</u>
	<u>5,944</u>	<u>5,687</u>

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

6. LONG TERM DEBT

	2017	2016
Alberta Capital Finance Authority	667,462	754,356
Principal and interest payments are as follows:		
	Principal	Interest
2017	88,164	14,460
2018	89,458	13,166
2019	90,775	11,849
2020	21,874	10,699
2021	22,473	10,100
Thereafter	354,718	68,731
	667,462	129,005
		796,467

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 2017 were \$15,731.

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:

	2017	2016
Total debt limit	1,122,054	1,875,150
Total debt	667,462	754,356
Surplus debt limit	454,592	1,120,794
Debt servicing limit	187,009	312,525
Debt servicing	102,624	102,624
Surplus debt servicing	84,385	209,901

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, 2017

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 2)	7,612,852	7,596,739
Accumulated amortization (Schedule 2)	(2,860,635)	(2,650,443)
Long-term debt (Note 6)	<u>(667,462)</u>	<u>(754,356)</u>
	<u>4,084,755</u>	<u>4,191,940</u>

9. ACCUMULATED SURPLUS

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

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	<u>982,093</u>	<u>809,243</u>
Restricted surplus		
General	<u>274,111</u>	<u>274,111</u>
	<u>274,111</u>	<u>274,111</u>
Equity in tangible capital assets	<u>4,084,755</u>	<u>4,191,940</u>
	<u>5,340,959</u>	<u>5,275,294</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, 2017

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:

	2017			2016
	Salary	Benefits & Allowances	Total	Total
Leicht	2,677	-	2,677	3,900
Patten	6,968	-	6,968	4,900
Pauls	4,978	-	4,978	2,100
Schultz G.	-	-	-	500
Skaret	3,527	32	3,559	5,878
These	750	-	750	-
Vellee	750	-	750	-
Yearwood	2,961	31	2,992	4,833
CAO	66,592	7,190	73,782	74,235

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, 2017

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)	2017	2016
Excess of revenue over expenditures, per financial statements	62,973	65,665	1,419,046
Adjustments			
Amortization expense	-	222,432	180,000
Loss (gain) on disposal of tangible capital assets	-	(5,840)	-
Acquisition of tangible capital assets	(5,500)	(30,513)	(2,311,599)
Proceeds on disposition of tangible capital assets	-	8,000	-
Results of operations - previous methods	57,473	259,744	(712,553)
Net transfers (to) from reserves	(6,500)	-	840,000
Debenture repaid	-	(86,894)	(85,644)
Increase (decrease) in unrestricted surplus	50,973	172,850	41,803

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.