

**VILLAGE OF HAY LAKES**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

## **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, 2016, 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, 2016, 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.

A handwritten signature in dark ink, appearing to be "M. D. of Wainwright".

Chartered Professional Accountant

M.D. of Wainwright

May 15, 2017

# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	14,511	2,280,382
Taxes and grants in place of taxes (Note 3)	24,620	24,087
Trade and other receivables	42,403	41,633
Due from other governments	391,299	233,974
Local improvement levy receivable	441,098	-
Inventory held for resale	452,586	122,288
	<u>1,366,517</u>	<u>2,702,364</u>
<b>LIABILITIES</b>		
Bank indebtedness (Note 4)	43,242	-
Accounts payable and accrued liabilities	233,234	31,045
Deposits held in trust	1,000	2,000
Deferred revenue (Note 5)	5,687	800,773
Long term debt (Note 6)	754,356	840,000
	<u>1,037,519</u>	<u>1,673,818</u>
<b>NET FINANCIAL ASSETS</b>	<u>328,998</u>	<u>1,028,546</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	4,946,296	2,814,697
Prepaid expenses	-	13,005
	<u>4,946,296</u>	<u>2,827,702</u>
<b>ACCUMULATED SURPLUS (NOTE 9)</b>	<u>5,275,294</u>	<u>3,856,248</u>



# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	302,479	783,353	350,081
User fees and sales of goods	256,485	295,219	436,886
Penalties and costs on taxes	10,250	12,876	10,193
Licenses and permits	2,900	3,071	2,596
Fines	-	77	-
Franchise and concession contracts	14,000	18,050	13,388
Investment income	16,000	37,257	13,819
Government transfers for operating	62,823	83,866	21,909
Other	1,375	16,331	14,222
	<u>666,312</u>	<u>1,250,100</u>	<u>863,094</u>
<b>EXPENSES</b>			
Legislative	30,600	29,539	18,210
Administration	159,375	127,399	128,609
Protective services	67,800	30,400	43,529
Transportation	174,500	139,988	145,303
Water supply and distribution	131,772	124,727	117,626
Wastewater treatment and disposal	34,700	30,387	29,270
Waste management	80,965	103,924	49,825
Public health and welfare	2,600	2,613	2,376
Planning and development	6,495	25,821	84,388
Recreation	43,910	43,036	36,707
Culture	15,367	12,275	11,871
Amortization	-	180,000	137,847
	<u>748,084</u>	<u>850,109</u>	<u>805,561</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(81,772)	399,991	57,533
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	99,571	1,019,055	-
<b>EXCESS OF REVENUE OVER EXPENSES</b>	17,799	1,419,046	57,533
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	3,856,248	3,856,248	3,798,715
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>3,874,047</u>	<u>5,275,294</u>	<u>3,856,248</u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>17,799</u>	<u>1,419,046</u>	<u>57,533</u>
Acquisition of tangible capital assets	-	(2,311,599)	(22,153)
Amortization of tangible capital assets	<u>-</u>	<u>180,000</u>	<u>137,847</u>
	<u>-</u>	<u>(2,131,599)</u>	<u>115,694</u>
Net (increase) decrease of prepaid assets	<u>-</u>	<u>13,005</u>	<u>(13,005)</u>
<b>INCREASE IN NET FINANCIAL ASSETS</b>	17,799	(699,548)	160,222
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>1,028,546</u>	<u>1,028,546</u>	<u>868,324</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u><u>1,046,345</u></u>	<u><u>328,998</u></u>	<u><u>1,028,546</u></u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	1,419,046	57,533
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	180,000	137,847
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(533)	6,322
Decrease (increase) in due from other governments	(157,325)	430,408
Decrease (increase) in trade and other receivables	(770)	(5,177)
Decrease (increase) in local improvement levy receivable	(441,098)	
Decrease (increase) in inventory held for resale	(330,298)	81,526
Decrease (increase) in prepaid expenses	13,005	(13,005)
Increase (decrease) in accounts payable and accrued liabilities	202,189	(4,244)
Increase (decrease) in deferred revenue	(795,086)	272,842
	<u>88,130</u>	<u>964,052</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	<u>(2,311,599)</u>	<u>(22,153)</u>
<b>FINANCING</b>		
Long-term debt issued	-	840,000
Long-term debt repaid	(85,644)	-
	<u>(85,644)</u>	<u>840,000</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>(2,309,113)</b>	<b>1,781,899</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u><b>2,280,382</b></u>	<u><b>498,483</b></u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u><b>(28,731)</b></u></u>	<u><u><b>2,280,382</b></u></u>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash	14,511	2,280,382
Bank indebtedness	(43,242)	-
	<u><u><b>(28,731)</b></u></u>	<u><u><b>2,280,382</b></u></u>

# VILLAGE OF HAY LAKES

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
<b>BALANCE, BEGINNING OF YEAR</b>	767,440	1,114,111	1,974,697	<b>3,856,248</b>	3,798,715
Excess (deficiency) of revenues over expenses	1,419,046	-	-	<b>1,419,046</b>	57,533
Current year funds used for tangible capital assets	(1,471,599)	(840,000)	2,311,599	-	-
Annual amortization expense	180,000	-	(180,000)	-	-
Long term debt repaid	(85,644)	-	85,644	-	-
Change in accumulated surplus	41,803	(840,000)	2,217,243	<b>1,419,046</b>	57,533
<b>BALANCE, END OF YEAR</b>	<b>809,243</b>	<b>274,111</b>	<b>4,191,940</b>	<b>5,275,294</b>	<b>3,856,248</b>



# VILLAGE OF HAY LAKES

## CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2016	2015
<b>COST:</b>								
Balance - beginning of year	329,467	171,424	407,421	4,333,343	806,789	64,499	6,112,943	6,090,790
Acquisition of tangible capital assets	-	-	-	2,311,599	-	-	2,311,599	22,153
Disposal of tangible capital assets	-	-	-	827,803	-	-	827,803	-
Balance - end of year	329,467	171,424	407,421	5,817,139	806,789	64,499	7,596,739	6,112,943
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	163,990	272,428	2,395,258	425,605	40,965	3,298,246	3,160,399
Annual amortization	-	924	7,583	129,049	36,837	5,607	180,000	137,847
Accumulated amortization on disposals	-	-	-	827,803	-	-	827,803	-
Balance - end of year	-	164,914	280,011	1,696,504	462,442	46,572	2,650,443	3,298,246
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>329,467</b>	<b>6,510</b>	<b>127,410</b>	<b>4,120,635</b>	<b>344,347</b>	<b>17,927</b>	<b>4,946,296</b>	<b>2,814,697</b>
<b>PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>329,467</b>	<b>7,434</b>	<b>134,993</b>	<b>1,938,085</b>	<b>381,184</b>	<b>23,534</b>	<b>2,814,697</b>	



# VILLAGE OF HAY LAKES

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 3)

	Budget (Unaudited)	2016	2015
<b>TAXATION</b>			
Real property taxes	379,274	<b>428,274</b>	446,773
Linear property taxes	5,626	<b>5,626</b>	6,336
Local improvement levy	26,776	<b>458,650</b>	-
	<u>411,676</u>	<u><b>892,550</b></u>	<u>453,109</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	109,197	<b>109,197</b>	103,028
<b>NET MUNICIPAL TAXES</b>	<u>302,479</u>	<u><b>783,353</b></u>	<u>350,081</u>

# VILLAGE OF HAY LAKES

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 4)

	Budget (Unaudited)	2016	2015
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	36,673	<b>65,802</b>	-
Local Governments	26,150	<b>18,064</b>	21,909
	<u>62,823</u>	<u><b>83,866</b></u>	<u>21,909</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	70,051	<b>150,000</b>	-
Provincial Government	29,520	<b>869,055</b>	-
	<u>162,394</u>	<u><b>1,102,921</b></u>	<u>21,909</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>			

# VILLAGE OF HAY LAKES

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 5)

	Budget (Unaudited)	2016	2015
<b>Expenditures</b>			
Salaries, wages and benefits	297,545	<b>244,879</b>	242,743
Contracted and general services	255,620	<b>210,870</b>	145,429
Materials, goods and utilities	141,520	<b>150,926</b>	224,703
Provision for allowances	-	<b>155</b>	913
Transfers to local boards and agencies	51,899	<b>45,165</b>	47,481
Bank charges and short term interest	1,500	<b>1,499</b>	1,377
Interest on capital long term debt	-	<b>16,615</b>	5,068
Amortization of tangible capital assets	-	<b>180,000</b>	137,847
	<u>748,084</u>	<u><b>850,109</b></u>	<u>805,561</u>

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016

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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, 2016

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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, 2016

### 2. CASH AND TERM DEPOSITS

	<u>2016</u>	<u>2015</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)	-	574,326
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	<u>14,511</u>	<u>1,114,111</u>
Total restricted cash and term deposits	<u>14,511</u>	<u>1,688,437</u>
Total unrestricted cash and term deposits	<u>-</u>	<u>591,945</u>

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

	<u>2016</u>	<u>2015</u>
Current taxes and grants in place of taxes	17,149	14,541
Arrears taxes	<u>7,471</u>	<u>9,546</u>
	<u>24,620</u>	<u>24,087</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>2016</u>	<u>2015</u>
Federal Gas Tax	-	100,000
Municipal Sustainability Initiative - capital	-	668,039
Municipal Sustainability Initiative - operating	-	29,129
Prepaid property taxes	<u>5,687</u>	<u>3,605</u>
	<u>5,687</u>	<u>800,773</u>

# VILLAGE OF HAY LAKES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 6. LONG TERM DEBT

	2016	2015	
Alberta Capital Finance Authority	754,356	840,000	
Principal and interest payments are as follows:			
	Principal	Interest	Total
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
2021	21,874	10,699	32,573
Thereafter	377,192	78,831	456,023
	754,356	144,736	899,092

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 2016 were \$16,980.

### 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:

	2016	2015
Total debt limit	<b>1,875,150</b>	1,294,641
Total debt	<b>754,356</b>	840,000
Surplus debt limit	<b>1,120,794</b>	454,641
Debt servicing limit	<b>312,525</b>	215,774
Debt servicing	<b>102,624</b>	102,624
Surplus debt servicing	<b>209,901</b>	113,150

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, 2016

### 8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 2)	<b>7,596,739</b>	6,112,943
Accumulated amortization (Schedule 2)	<b>(2,650,443)</b>	(3,298,246)
Long-term debt (Note 6)	<b>(754,356)</b>	(840,000)
	<u><b>4,191,940</b></u>	<u>1,974,697</u>

### 9. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
<b>Unrestricted surplus</b>	<u><b>809,243</b></u>	<u>767,440</u>
<b>Restricted surplus</b>		
Paving debenture	-	840,000
General	<u><b>274,111</b></u>	<u>274,111</u>
	<u><b>274,111</b></u>	<u>1,114,111</u>
<b>Equity in tangible capital assets</b>	<u><b>4,191,940</b></u>	<u>1,974,697</u>
	<u><b>5,275,294</b></u>	<u>3,856,248</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, 2016

### 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:

	2016			2015
	Salary	Benefits & Allowances	Total	Total
Leicht	3,900	-	3,900	3,450
Patten	4,900	-	4,900	4,200
Pauls	2,100	-	2,100	-
Schultz G.	500	-	500	3,000
Skaret	5,878	-	5,878	4,235
Yearwood	4,833	-	4,833	3,456
CAO	68,112	6,123	74,235	72,798

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, 2016

### 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)	2016	2015
Excess of revenue over expenditures, per financial statements	17,799	1,419,046	57,533
Adjustments			
Amortization expense	-	180,000	137,847
Acquisition of tangible capital assets	(3,000)	(2,311,599)	(22,153)
Results of operations - previous methods	14,799	(712,553)	173,227
Net transfers (to) from reserves	(6,500)	840,000	(840,000)
Debenture issued	-	-	840,000
Increase (decrease) in unrestricted surplus	8,299	41,803	173,227

### 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.