

TOWN OF VIKING
Consolidated Financial Statements
Year Ended December 31, 2017



Donnelly & Co. LLP
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Viking

We have audited the accompanying consolidated financial statements of Town of Viking, which comprise of the statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including 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.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Viking as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 30, 2018



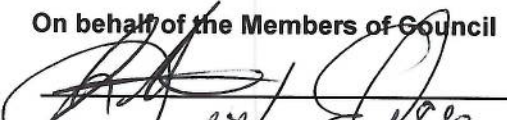
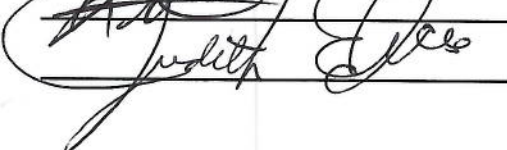
Chartered Accountants

TOWN OF VIKING
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 22,926	\$ 1,759,304
Receivables		
Taxes and grants in lieu of taxes receivables (Note 4)	294,901	240,519
Due from governments	2,186,302	491,195
Trade and other receivables	279,697	311,767
Inventories held for resale		
Land	226,826	226,826
Other - concession	3,490	-
Prepaid expenses	10,733	-
	<u>3,024,875</u>	<u>3,029,611</u>
LIABILITIES		
Temporary loan payable (Note 5)	160,000	-
Accounts payable and accrued liabilities (Note 6)	1,189,158	462,626
Deposit liabilities	2,305	2,305
Deferred revenue (Note 7)	14,144	10,340
Long term debt (Note 8)	803,364	858,555
	<u>2,168,971</u>	<u>1,333,826</u>
NET FINANCIAL ASSETS	<u>855,904</u>	<u>1,695,785</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	<u>19,013,634</u>	<u>17,738,648</u>
ACCUMULATED SURPLUS (Note 11)	<u>\$ 19,869,538</u>	<u>\$ 19,434,433</u>

Commitments and contingencies - see Notes 15 and 16.

On behalf of the Members of Council


 _____ Mayor

 _____ Deputy Mayor

TOWN OF VIKING

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**Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2017**

	Budget 2017 <i>(Unaudited)</i>	2017	2016
REVENUE			
Net taxes available for municipal purposes <i>(Schedule 3)</i>	\$ 1,308,732	\$ 1,299,761	\$ 1,279,945
User fees and sales of goods	833,250	743,362	741,456
Government transfers for operating <i>(Schedule 4)</i>	367,035	323,970	346,578
Transfers from local boards and agencies	-	279,353	275,111
Rentals	193,600	199,141	186,162
Franchise revenues	160,000	184,416	157,934
Other revenue <i>(Note 13)</i>	38,765	66,997	15,572
Penalties and costs on taxes	50,750	55,065	57,149
Investment income	15,000	10,704	15,879
Licenses, permits and fines	2,200	6,464	7,434
Gain on sale of tangible capital assets	-	-	13,900
	<u>2,969,332</u>	<u>3,169,233</u>	<u>3,097,120</u>
EXPENSES			
Administration and legislative	642,495	521,031	494,395
Fire protection and safety services	120,000	116,286	135,822
Bylaw enforcement	4,300	4,580	942
Roads, streets, walks, lighting	561,766	813,948	779,008
Airport	15,087	7,022	10,074
Storm sewers and drainage	10,000	8,754	1,652
Water supply and distribution	578,150	603,652	567,740
Wastewater treatment and disposal	135,229	1,118,495	379,849
Waste management	54,325	72,590	52,356
Family and community support services <i>(Note 19)</i>	173,418	147,166	199,715
Land use planning, zoning and development	31,713	21,231	17,628
Economic and agricultural development	820	1,000	1,972
Subdivision land and development	-	25,897	705
Parks and recreation	640,059	1,085,308	978,053
Culture	42,025	25,694	25,530
	<u>3,009,387</u>	<u>4,572,654</u>	<u>3,645,441</u>
DEFICIENCY OF REVENUE OVER EXPENSES - BEFORE OTHER	(40,055)	(1,403,421)	(548,321)
OTHER			
Government transfers for capital <i>(Schedule 4)</i>	-	1,838,526	717,815
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(40,055)	435,105	169,494
ACCUMULATED SURPLUS - BEGINNING OF YEAR	19,434,433	19,434,433	19,264,939
ACCUMULATED SURPLUS - END OF YEAR	\$ 19,394,378	\$ 19,869,538	\$ 19,434,433

TOWN OF VIKING
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2017

	Budget 2017 <i>(Unaudited)</i>	2017	2016
Excess (deficiency) of revenue over expenses	\$ (40,055)	\$ 435,105	\$ 169,494
Acquisition of tangible capital assets	-	(2,066,726)	(567,440)
Proceeds on disposal of tangible capital assets	-	-	13,900
Amortization of tangible capital assets	-	791,740	759,961
Gain on sale of tangible capital assets	-	-	(13,900)
	-	(1,274,986)	192,521
INCREASE (DECREASE) IN NET ASSETS	(40,055)	(839,881)	362,015
NET FINANCIAL ASSETS - BEGINNING OF YEAR	1,695,785	1,695,785	1,333,770
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,655,730	\$ 855,904	\$ 1,695,785

TOWN OF VIKING
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
Operating activities		
Cash receipts from taxes	\$ 1,590,373	\$ 1,583,179
Cash receipts from government	471,193	443,086
Cash receipts from others	1,511,803	1,341,675
Cash paid to suppliers and employees	(3,068,605)	(2,635,552)
Cash paid for requisitions	(289,929)	(293,543)
Investment income received	10,704	15,879
	<u>225,539</u>	<u>454,724</u>
Financing activities		
Advance from temporary loans	160,000	-
Repayment of callable debt	-	(187,562)
Repayment of long term debt	(55,191)	(52,763)
	<u>104,809</u>	<u>(240,325)</u>
Capital activity		
Acquisition of tangible capital assets	(2,066,726)	(567,440)
Sale of tangible capital assets	-	13,900
	<u>(2,066,726)</u>	<u>(553,540)</u>
Decrease in cash and cash equivalents	(1,736,378)	(339,141)
Cash and cash equivalents - beginning of year	<u>1,759,304</u>	<u>2,098,445</u>
Cash and cash equivalents - end of year (Note 3)	\$ 22,926	\$ 1,759,304

TOWN OF VIKING
Consolidated Schedule of Changes in Accumulated Surplus (Schedule 1)
Year Ended December 31, 2017

	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Tangible Capital Asset	2017	2016
BALANCE, BEGINNING OF YEAR	\$ 2,258,161	\$ 65,953	\$ 230,226	\$ 16,880,093	\$ 19,434,433	\$ 19,264,939
Excess of revenue over expenses	435,105	-	-	-	435,105	169,494
Funds designated for future use	(1,795,581)	7,165	1,788,416	-	-	-
Unrestricted funds use for tangible capital assets	(278,310)	-	-	278,310	-	-
Restricted funds used for tangible capital assets	-	-	(1,788,416)	1,788,416	-	-
Annual amortization expense	791,740	-	-	(791,740)	-	-
Long term debt repaid	(55,191)	-	-	55,191	-	-
BALANCE, END OF YEAR	\$ 1,355,924	\$ 73,118	\$ 230,226	\$ 18,210,270	\$ 19,869,538	\$ 19,434,433

TOWN OF VIKING
Consolidated Schedule of Tangible Capital Assets (Schedule 2)
Year Ended December 31, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicle		
							2017	2016
COST								
BALANCE, BEGINNING OF YEAR	\$ 735,497	\$ 673,522	\$ 12,857,343	\$ 18,740,181	\$ 1,386,432	\$ 187,338	\$ 34,580,313	\$ 34,032,868
Acquisition of tangible capital assets	-	214,184	29,786	1,668,644	122,683	31,429	2,066,726	567,440
Disposal of tangible capital assets	-	-	-	-	-	-	-	(19,995)
BALANCE, END OF YEAR	735,497	887,706	12,887,129	20,408,825	1,509,115	218,767	36,647,039	34,580,313
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	516,945	2,528,840	13,228,993	440,734	126,153	16,841,665	16,101,699
Annual amortization	-	31,993	254,757	402,990	85,800	16,200	791,740	759,961
Accumulated amortization on disposals	-	-	-	-	-	-	-	(19,995)
BALANCE, END OF YEAR	-	548,938	2,783,597	13,631,983	526,534	142,353	17,633,405	16,841,665
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 735,497	\$ 338,768	\$ 10,103,532	\$ 6,776,842	\$ 982,581	\$ 76,414	\$ 19,013,634	\$ 17,738,648
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 735,497	\$ 156,577	\$ 10,328,503	\$ 5,511,188	\$ 945,698	\$ 61,185	\$ 19,013,634	\$ 17,738,648

TOWN OF VIKING
Consolidated Schedule of Property and Other Taxes
Year Ended December 31, 2017

(Schedule 3)

	Budget 2017 <i>(Unaudited)</i>	2017	2016
TAXATION			
Real property taxes	\$ 1,577,451	\$ 1,501,552	\$ 1,480,763
Linear property	-	41,702	44,554
Special assessments and local improvement taxes	32,256	29,806	32,400
Government grants in place of property taxes	-	16,630	15,771
	<u>1,609,707</u>	<u>1,589,690</u>	<u>1,573,488</u>
REQUISITIONS			
Alberta School Foundation Fund	267,975	257,825	261,439
Beaver Seniors Foundation	33,000	32,104	32,104
	<u>300,975</u>	<u>289,929</u>	<u>293,543</u>
NET MUNICIPAL TAXES	<u>\$ 1,308,732</u>	<u>\$ 1,299,761</u>	<u>\$ 1,279,945</u>

TOWN OF VIKING
Consolidated Schedule of Government Transfers
Year Ended December 31, 2017

(Schedule 4)

	Budget 2017 <i>(Unaudited)</i>	2017	2016
TRANSFERS FOR OPERATING			
Provincial government	\$ 68,000	\$ 79,180	\$ 61,407
Other local government	299,035	244,790	285,171
	<u>367,035</u>	<u>323,970</u>	<u>346,578</u>
TRANSFERS FOR CAPITAL			
Provincial government	-	1,838,526	717,815
	<u>-</u>	<u>1,838,526</u>	<u>717,815</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 367,035</u>	<u>\$ 2,162,496</u>	<u>\$ 1,064,393</u>

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Consolidated Schedule of Consolidated Expenses by Object
Year Ended December 31, 2017

(Schedule 5)

	Budget 2017 <i>(Unaudited)</i>	2017	2016
Materials, goods and utilities	\$ 572,270	\$ 1,465,614	\$ 666,037
Contracted and general services	1,055,199	1,058,522	1,015,867
Salaries, wages and benefits	914,446	828,841	729,994
Amortization of tangible capital assets	-	791,740	759,961
Transfers to local boards and agencies <i>(Note 19)</i>	365,525	346,200	416,003
Interest on long term debt	93,644	37,716	40,177
Other expenditures	-	25,585	394
Bank charges and short term interest	7,790	9,414	10,322
Provision for allowances	513	9,022	6,686
	\$ 3,009,387	\$ 4,572,654	\$ 3,645,441

TOWN OF VIKING
Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2017
(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health and Welfare	Planning and Development	Recreation and Culture	2017 Total
REVENUE								
Net municipal taxes	\$ 1,269,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,806	\$ 1,299,761
User fees and sales of goods	16,665	-	-	660,902	3,725	-	62,070	743,362
Transfers from local boards and agencies	279,353	-	-	-	-	-	-	279,353
Government transfers	59,580	-	25,000	1,791,544	124,257	25,754	136,361	2,162,496
Rentals	41,005	-	-	15,780	-	-	142,356	199,141
Franchise revenues	184,416	-	-	-	-	-	-	184,416
Penalties and costs on taxes	55,065	-	-	-	-	-	-	55,065
Other revenue	25,087	-	-	-	-	29,765	12,145	66,997
Investment income	10,704	-	-	-	-	-	-	10,704
Licenses, permits and fines	5,467	997	-	-	-	-	-	6,464
Gain on sale of tangible capital assets	-	-	-	-	-	-	-	-
	1,947,297	997	25,000	2,468,226	127,982	55,519	382,738	5,007,759
EXPENSES								
Salaries, wages and benefits	189,555	-	213,928	86,842	3,044	7,638	327,834	828,841
Contracted and general services	278,154	4,580	75,205	566,344	4,200	13,593	116,446	1,058,522
Materials, goods and utilities	29,967	-	194,381	1,026,230	-	-	215,036	1,465,614
Transfers to local boards and agencies	-	116,286	-	-	137,922	2,000	89,992	346,200
Provision for allowances	9,022	-	-	-	-	-	-	9,022
Bank charges and short term interest	9,414	-	-	-	-	-	-	9,414
Interest on long term debt	-	-	-	-	-	-	37,716	37,716
Other expenses	-	-	-	-	-	25,585	-	25,585
	516,112	120,866	483,514	1,679,416	145,166	48,816	787,024	3,780,914
NET REVENUE BEFORE AMORTIZATION	1,431,185	(119,869)	(458,514)	788,810	(17,184)	6,703	(404,286)	1,226,845
Amortization of tangible capital assets	4,919	-	337,457	124,075	-	311	324,978	791,740
NET REVENUE	\$ 1,426,266	\$ (119,869)	\$ (795,971)	\$ 664,735	\$ (17,184)	\$ 6,392	\$ (729,264)	\$ 435,105

TOWN OF VIKING
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. Summary of significant accounting policies

The consolidated financial statements of the Town of Viking 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 Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the municipality are as follows:

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 municipality and are, therefore, accountable to 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 organization transactions and balances are eliminated.

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 and 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, regulations 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.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses 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.

Cash and cash equivalents

Cash includes cash and cash equivalents. Currently the municipality carries all of its cash in the current account which is valued at cost. The carrying amount of the current account approximates fair value.

(continues)

TOWN OF VIKING
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. Summary of significant accounting policies (continued)

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 the respective function.

Concession inventory

Concession inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Tax revenue

Tax revenue are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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.

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 revenue over expenses, provides the consolidated change in net financial assets for the year.

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TOWN OF VIKING
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. Summary of significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are stated 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:

Land improvements	10 - 25 years
Buildings	25 - 50 years
Engineering structures	10 - 75 years
Machinery and equipment	5 - 25 years
Vehicles	10 - 25 years

No amortization is charged in the year of acquisition, however, assets are amortized in the year of disposal.

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.

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.

Cultural and historical tangible capital assets

The Town of Viking currently owns several cultural properties with an accumulated historical cost of \$428,424. In compliance with the Town's accounting policies, cultural and historical tangible capital assets are not recorded as tangible capital assets in the financial statements and are not amortized.

2. Financial instruments

The Town's financial instruments consist of cash and cash equivalents, accounts receivables, prepaid expenses, revolving loan, accounts payable and accrued liabilities, and deposit liabilities. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town 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.

TOWN OF VIKING
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

3. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Cash on hand and in bank	\$ 22,926	\$ 1,759,304
Externally restricted	(14,144)	(10,340)
Internally restricted	<u>(303,344)</u>	<u>(296,180)</u>
Unrestricted (deficit)	<u>\$ (294,562)</u>	<u>\$ 1,452,784</u>
Amounts externally restricted:		
Prepaid facility memberships	\$ 8,644	\$ 7,190
Prepaid business licenses	2,500	3,050
Other monies received for the maintenance of the Municipal Cemetery	3,000	-
Lot deposit	-	100
	<u>\$ 14,144</u>	<u>\$ 10,340</u>
Amounts internally restricted:		
Designated by Council for capital projects and equipment replacement	\$ 230,226	\$ 230,226
Designated by Council for operating reserves	<u>73,118</u>	<u>65,954</u>
	<u>\$ 303,344</u>	<u>\$ 296,180</u>

4. Taxes and grants in lieu of taxes receivable

	<u>2017</u>	<u>2016</u>
Current taxes and grants in lieu	\$ 85,841	\$ 98,496
Tax arrears	<u>239,070</u>	<u>169,109</u>
	324,911	267,605
Less: allowance for doubtful accounts	<u>(30,010)</u>	<u>(27,086)</u>
	<u>\$ 294,901</u>	<u>\$ 240,519</u>

5. Temporary loan payable

	<u>2017</u>	<u>2016</u>
Temporary loan payable	<u>\$ 160,000</u>	<u>\$ -</u>

The Town has a revolving line of credit with a limit of \$200,000 to be used for day-to-day expenses. Interest is calculated from the date funds are advanced on the daily outstanding principal at prime plus 0.26% per annum and payable on the last day of each month. The temporary loan is payable in full on demand.

TOWN OF VIKING
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

6. Employee benefit obligations

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The amounts of \$14,002 (2016 - \$40,789) are included in accounts payable and accrued liabilities.

The Town also has accumulating non-vesting sick leave benefits.

7. Deferred revenue

Prepaid facility memberships	\$	8,644	\$	7,190
Donation received for the maintenance of the Municipal cemetery		3,000		-
Prepaid business licenses		2,500		3,050
Lot deposit		-		100
		-		-
	\$	14,144	\$	10,340

Revenue received in advance for services which have not yet been performed are shown as deferred. Unexpended funds are supported by restricted cash and cash equivalents (see Note 3).

8. Long term debt

	<u>2017</u>	<u>2016</u>
Debentures payable	\$ 803,364	\$ 858,555

	Principal	Interest	Total
2018	\$ 57,732	\$ 35,911	\$ 93,643
2019	60,389	33,254	93,643
2020	63,169	30,474	93,643
2021	66,076	27,567	93,643
2022	69,118	24,525	93,643
Thereafter	486,880	74,980	561,860

The current portion of the long term debts amounts to \$57,732 (2016 - \$55,191).

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at 4.551% per annum and matures in 2028.

Debenture debt is issued on the credit and security of the municipality at large.

Interest on long term debt including accrued interest payable amounted to \$37,716 (2016 - \$40,177).

The Town's total cash payment for long term interest in 2017 was \$38,452 (2016 - \$40,881).

TOWN OF VIKING

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Notes to Consolidated Financial Statements
Year Ended December 31, 2017

9. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the municipality be disclosed as follows:

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 4,753,850	\$ 4,645,680
Total long term debt	<u>(803,364)</u>	<u>(858,555)</u>
Amount of debt limit unused	<u>\$ 3,950,486</u>	<u>\$ 3,787,125</u>
Debt servicing limit	\$ 792,308	\$ 774,280
Debt services	<u>(93,643)</u>	<u>(93,643)</u>
Amount of debt servicing limit unused	<u>\$ 698,665</u>	<u>\$ 680,637</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 25520/00) 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 that 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.

10. Equity in tangible capital assets

	<u>2017</u>	<u>2016</u>
Tangible capital assets (<i>Schedule 2</i>)	\$ 36,647,039	\$ 34,580,314
Accumulated amortization (<i>Schedule 2</i>)	<u>(17,633,405)</u>	<u>(16,841,666)</u>
Long term debt - capital (<i>Note 8</i>)	<u>(803,364)</u>	<u>(858,555)</u>
	<u>\$ 18,210,270</u>	<u>\$ 16,880,093</u>

11. 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	\$ 1,355,924	\$ 2,258,161
Restricted surplus		
Operating reserves	73,118	65,953
Capital reserves	230,226	230,226
Equity in tangible capital assets	<u>18,210,270</u>	<u>16,880,093</u>
	<u>\$ 19,869,538</u>	<u>\$ 19,434,433</u>

TOWN OF VIKING
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Year Ended December 31, 2017

12. Segmented disclosure

The Town 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.

13. Related party transactions

During the year, the Town sold a piece of land for development to a Company whose one of its directors is the councilor of the Town for \$29,765 including sanitary and water services recovery of \$18,165.

The transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

14. Salaries and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by provincial regulation is as follows:

	Salary (1)	Benefits and allowances (2)	2017	2016
Mayor				
D. Zayonce	\$ 8,100	\$ 314	\$ 8,414	\$ 10,556
J. Ritchie	3,050	415	3,465	-
Councilors				
J. Acres	8,900	716	9,616	8,352
T. Hartl	5,400	191	5,591	6,980
R. Hunter	7,670	1,119	8,789	7,395
E. Lefsrud	5,250	156	5,406	7,070
J. Ritchie	5,500	139	5,639	7,177
L. Weisgerber	6,950	119	7,069	8,131
D. Ewashko	2,350	386	2,736	-
C. Nearing	2,300	-	2,300	-
M. Huibers	1,750	-	1,750	-
Chief administrative officer	84,221	14,297	98,518	16,418
	\$ 141,441	\$ 17,852	\$ 159,293	\$ 72,079

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, and 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.
3. Total fees of service including expense reimbursement of \$62,941 (2016 - \$66,179) was paid to the interim chief administrative officer.

TOWN OF VIKING
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

15. Local Authorities Pension Plan

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current services are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP were \$53,974 (2016 – \$43,412). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan were \$49,502 (2016 - \$39,814).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$2.26 billion.

16. Commitments

The Town has the following contractual commitments:

1. Office equipment - an agreement to lease the office equipment starting February 15, 2012 for five and a half years. The current quarterly payment is \$1,511.39 plus Goods and Services Tax.

The Town also has various cost sharing agreements with surrounding municipalities. The purpose of these agreements is to maintain or enhance regional services, assets and programs, thereby, improving the social, economic and environmental well-being of the region.

17. Contingent liability

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the municipality 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.

The Town as well as several Town employees are currently named as defendant's in a civil action. The Town has been advised that the matter, dependant on the final resolution, is an insurance claim limiting the Town's liability to an applicable deductible.

A former employee has taken legal action against the Town for wrongful dismissal. The claim is ongoing and the outcome is unknown at this time.

The Town discovered contaminated soil while working on the Highway 619 project. Subsequent to the year end, an environmental company has been contracted to assess the contamination and the costs associated with the clean-up of the contamination.

TOWN OF VIKING
Notes to Consolidated Financial Statements
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18. Subsequent events

Subsequent to year end, the Town has signed an non-revolving term loan agreement for an amount of \$750,000 to be used on the overage on Highway 619. The term loan carries interest rate of prime minus 0.25% and is due in full on demand but no later than December 31, 2018. Interest is calculated on the daily outstanding principal balance and is payable on the last day of each month with an annual principal payments of \$75,000 due November 30 of each year.

19. Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

20. Approval of financial statements

Council and management have approved these financial statements.
