

Village of Hines Creek

Financial Statements

December 31, 2020

Village of Hines Creek

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **Village of Hines Creek** is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Village's financial position as at December 31, 2020 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirement on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Village Council carries out its responsibilities for review of the consolidated financial statements principally through its meeting with management. The Council meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Council with and without the presence of management. The Village Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Doyle & Company, Chartered Professional Accountants, independent external auditors appointed by the Village. The accompanying independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Village's consolidated financial statements.

Leanne Walmsley

Chief Administrative Officer

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council

Opinion

We have audited the consolidated financial statements of the **Village of Hines Creek**, which comprise the consolidated statement of financial position as at December 31, 2020, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the **Village of Hines Creek** as at December 31, 2020, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgemental and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT - continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

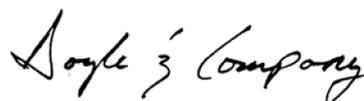
Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Organization's debt limit can be found in Note 8.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 10.

The engagement partner on the audit resulting in this independent auditor's report is Allen Lee, CPA, CMA.

Edmonton, Alberta

May 11, 2021



Chartered Professional Accountants

Village of Hines Creek
Consolidated Statement of Financial Position
As at December 31, 2020

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	2,180,002	1,672,044
Receivables (Note 4)		
Taxes and grants in place of taxes	129,118	201,810
Trade and other receivables	554,490	367,523
Land for resale inventory	46,025	86,548
Investments (Note 5)	32,641	2,641
	2,942,276	2,330,566
LIABILITIES		
Accounts payable and accrued liabilities	96,971	89,000
Deposit liabilities	9,223	9,069
Deferred revenue (Note 6)	704,862	490,848
Employee benefits obligation (Note 7)	8,545	7,123
Long-term debt (Note 8)	387,857	433,663
	1,207,458	1,029,703
NET FINANCIAL ASSETS	1,734,818	1,300,863
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	8,413,044	8,699,100
ACCUMULATED SURPLUS (Schedule 1, Note 13)	10,147,862	9,999,963

Contingencies - Note 17
Significant Event - Note 21

Village of Hines Creek
Consolidated Statement of Operations
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	429,711	431,778	551,130
User fees and sales of goods	386,776	284,918	347,210
Government transfers for operating (Schedule 4)	666,484	857,899	728,162
Investment income	21,500	19,384	26,524
Penalties and costs of taxes	33,300	28,267	29,271
	1,537,771	1,622,246	1,682,297
EXPENSES			
Administration	341,164	283,915	359,207
Bylaws enforcement	51,589	38,546	38,659
Culture	27,918	25,583	25,422
Land use planning, zoning and development	37,104	33,404	24,978
Legislative	43,000	28,751	34,646
Parks and recreation	350,893	328,006	329,566
Roads, streets, walks, lighting	284,911	257,537	239,805
Water supply and distribution	261,894	346,288	375,551
Wastewater treatment and disposal	62,800	63,453	75,766
Waste management	76,498	68,864	64,047
	1,537,771	1,474,347	1,567,647
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	-	147,899	114,650
OTHER ITEMS			
Government transfers for capital (Schedule 4)	96,000	-	272,936
EXCESS OF REVENUE OVER EXPENSES	96,000	147,899	387,586
ACCUMULATED SURPLUS, BEGINNING OF YEAR		9,999,963	9,612,377
ACCUMULATED SURPLUS, END OF YEAR		10,147,862	9,999,963

The accompanying notes form part of these financial statements

Village of Hines Creek
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
EXCESS OF REVENUES OVER EXPENSES	96,000	147,899	387,586
Acquisition of tangible capital assets	(96,000)	(80,747)	(126,302)
Proceeds on disposal of tangible capital assets	-	24,000	-
Amortization of tangible capital assets	-	349,744	337,897
(Gain) Loss on disposal of tangible capital assets	-	(6,941)	-
	(96,000)	286,056	211,595
INCREASE (DECREASE) IN NET ASSETS	-	433,955	599,181
NET FINANCIAL ASSETS , BEGINNING OF YEAR		1,300,863	701,682
NET FINANCIAL ASSETS, END OF YEAR		1,734,818	1,300,863

The accompanying notes form part of these financial statements

Village of Hines Creek
Consolidated Statement of Cash Flows
For the year ended December 31, 2020

	2020	2019
	\$	\$
OPERATING		
Excess of revenue over expenses	147,899	387,586
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	349,744	337,897
(Gain) Loss on disposal of tangible capital assets.	(6,941)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	72,692	(80,917)
Decrease (increase) in trade and other receivables	(186,967)	(133,249)
Decrease (increase) in land for resale inventory	40,523	(64,548)
(Decrease) increase in accounts payable and accrued liabilities	7,971	(133,177)
(Decrease) increase in deposit liabilities	154	(3,124)
(Decrease) increase in deferred revenue	214,014	242,829
(Decrease) increase in employee benefit obligations	1,422	-
Cash provided by operating transactions	640,511	553,297
CAPITAL		
Acquisition of tangible capital assets	(80,747)	(126,302)
Proceeds on disposal of tangible capital assets	24,000	-
Cash applied to capital transactions	(56,747)	(126,302)
INVESTING		
Decrease (increase) investments	(30,000)	1,198
FINANCING		
Long-term debt	(45,806)	(44,535)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	507,958	383,658
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	1,672,044	1,288,386
CASH AND CASH EQUIVALENTS, END OF YEAR	2,180,002	1,672,044

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Changes in Accumulated Surplus - Schedule 1
For the year ended December 31, 2020

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2020 \$	2019 \$
Balance, Beginning of Year	1,142,667	591,859	8,265,437	9,999,963	9,612,377
Excess of revenue over expenses	147,899	-	-	147,899	387,586
Unrestricted funds designated for future use	(172,762)	172,762	-	-	-
Restricted funds used for operations	2,619	(2,619)	-	-	-
Current years funds used for tangible capital assets	(80,747)	-	80,747	-	-
Disposal of tangible capital assets	17,059	-	(17,059)	-	-
Annual amortization expenses	349,744	-	(349,744)	-	-
Long-term debt repaid	(45,806)	-	45,806	-	-
Change in accumulated surplus	218,006	170,143	(240,250)	147,899	387,586
Balance, End of Year	1,360,673	762,002	8,025,187	10,147,862	9,999,963

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Tangible Capital Assets - Schedule 2
For the year ended December 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020 \$	2019 \$
COST:								
Balance, Beginning of Year	14,104	401,475	1,804,543	13,227,331	915,823	123,295	16,486,571	16,360,269
Acquisition of tangible capital assets	-	-	-	-	64,556	16,191	80,747	126,302
Disposal of tangible capital assets	-	-	-	-	(31,990)	-	(31,990)	-
Balance, End of Year	14,104	401,475	1,804,543	13,227,331	948,389	139,486	16,535,328	16,486,571
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	345,696	1,144,537	5,529,236	714,599	53,403	7,787,471	7,449,574
Annual amortization	-	15,678	37,755	242,935	44,588	8,788	349,744	337,897
Accumulated amortization on disposals	-	-	-	-	(14,931)	-	(14,931)	-
Balance, End of Year	-	361,374	1,182,292	5,772,171	744,256	62,191	8,122,284	7,787,471
NET BOOK VALUE	14,104	40,101	622,251	7,455,160	204,133	77,295	8,413,044	8,699,100
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	14,105	87,135	740,491	7,086,461	74,706	35,391		8,699,100

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Property and Other Taxes - Schedule 3
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
TAXATION			
Real property taxes	425,271	427,608	554,786
Designated Industrial tax	61	61	66
Government grants in place of property taxes	65,000	64,729	56,669
	490,332	492,398	611,521
REQUISITIONS			
Alberta School Foundation Fund	51,387	51,386	51,646
Seniors Foundation	9,234	9,234	8,745
	60,621	60,620	60,391
NET MUNICIPAL TAXES	429,711	431,778	551,130

Village of Hines Creek
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2020

	2020 Budget (Unaudited) \$	2020 Actual \$	2019 Actual \$
<u>TRANSFERS FOR OPERATING</u>			
Provincial Government	(31,828)	153,434	64,172
Local Government (Note 18)	698,312	704,465	663,990
	666,484	857,899	728,162
<u>TRANSFERS FOR CAPITAL</u>			
Provincial Government	96,000	-	272,936
TOTAL GOVERNMENT TRANSFERS	762,484	857,899	1,001,098

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Consolidated Expenditures by Object - Schedule 5
For the year ended December 31, 2020

	2020 Budget (Unaudited)	2020 Actual	2019 Actual
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	571,757	401,290	458,631
Contracted and general services	543,794	381,982	434,822
Materials, goods, and utilities	230,980	166,631	168,237
Transfers to local boards and agencies	131,174	159,595	149,045
Bank charges and short-term interest	2,300	3,147	5,786
Interest on long-term debt	57,766	11,959	13,229
Amortization of tangible capital assets	-	349,743	337,897
TOTAL EXPENSES	1,537,771	1,474,347	1,567,647

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Consolidated Segmented Disclosure - Schedule 6
For the year ended December 31, 2020

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	2020 \$
REVENUE							
Net municipal taxes	431,778	-	-	-	-	-	431,778
Government transfers	72,835	-	50,000	-	186,350	548,714	857,899
User fees and sales of goods	5,129	2,730	9,916	(19,331)	49,958	236,516	284,918
Investment income	19,384	-	-	-	-	-	19,384
Other revenue	25,147	3,120	-	-	-	-	28,267
	554,273	5,850	59,916	(19,331)	236,308	785,230	1,622,246
EXPENSES							
Bank charges and interest	3,147	-	11,959	-	-	-	15,106
Contracted and general services	95,919	3,541	60,343	-	130,659	91,520	381,982
Materials, goods and utilities	18,357	3,652	35,428	-	40,107	69,087	166,631
Salaries, wages and benefits	159,921	29,654	61,078	7,811	54,305	88,521	401,290
Transfers to local boards and agencies	17,538	-	-	-	110,104	31,953	159,595
Balance, End of Year	294,882	36,847	168,808	7,811	335,175	281,081	1,124,604
NET REVENUE, BEFORE AMORTIZATION	259,391	(30,997)	(108,892)	(27,142)	(98,867)	504,149	497,642
Amortization	19,086	1,700	88,574	-	42,860	197,523	349,743
NET REVENUE	240,305	(32,697)	(197,466)	(27,142)	(141,727)	306,626	147,899

The accompanying notes form part of these financial statements

Village of Hines Creek

Notes to the Financial Statements

December 31, 2020

DESCRIPTION OF OPERATIONS

The Village of Hines Creek is a local government authority providing municipal services. The Village is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Hines Creek 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 Village are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity.

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 record 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 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 assets are acquired.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Cash and Temporary Investments

Cash and cash equivalents consists of bank deposits and savings accounts with a term of three months or less.

(e) 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 instruments. 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.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(f) 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.

(g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(h) Tax Revenue

Tax revenues 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.

(i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Village is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay overlay, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. This requirement is not being provided for by the Village at the current time.

(j) 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 Hines Creek
Notes to the Financial Statements
December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(k) 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 (Debt) 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
Land Improvements	15-20
Buildings	25-50
Engineered structures	10-75
Machinery and equipment	5-20
Vehicles	3-20

Annual amortization is charged in the year of acquisition and not 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 when the amount can reasonably be determined and would have been purchased by the Village, if not contributed, 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 operation leases and the related lease payments are charges to expenses as incurred.

iv) Cultural and Historical Tangible Capital Assets

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

Village of Hines Creek
Notes to the Financial Statements
December 31, 2020

2. CASH AND TEMPORARY INVESTMENTS

	2020	2019
	\$	\$
Bank account - operating	1,097,084	603,373
Bank account - sale of tax properties	53,431	52,971
Temporary investments	1,029,487	1,015,700
	2,180,002	1,672,044

Included in temporary investments is a restricted amount of \$198,019 (2019 - \$198,019) received from the Federal Gas Tax Fund held for approved projects.

Council has designated funds of \$762,002 (2019 - \$591,859) for operating and capital reserves. See Note 13 for details.

The operating bank account earns interest at different rates depending on the balance in the account. At year end the balance in the account earned interest at 0.55%.

Temporary investments are deposits in a notice on amount 31-90 days with interest at 0.85-0.95%

3. MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian Accounting Standards for Public Sector Accounting Board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of the tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the revenue or expenses in the period in which they become known. Actual results could differ from those estimates.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2020

4. RECEIVABLES

	2020	2019
	\$	\$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	61,855	205,749
Arrears taxes (recovery)	67,263	(3,939)
	129,118	201,810

Note there is an operating reserve set-up for doubtful accounts. See note 13 Accumulated Surplus under operating reserves for the amount.

ii) Trade and other receivables

Trade and other receivables	35,139	62,224
GST receivable	12,508	12,470
Government receivable	506,843	292,829
	554,490	367,523

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$306,843 (2019 - \$142,829) and \$200,000 (2019 - \$150,000) Federal Gas Tax Fund.

5. INVESTMENTS

	2020	2019
	\$	\$
ATB - Guaranteed Investment Certificate (GIC) - at cost	30,000	-
United Farmers of Alberta Co-operative Ltd. - at cost	2,546	2,546
Alberta Municipal Financing Corporation Shares - at cost	10	10
Alberta Association of Municipal Districts and Counties - at cost	85	85
	32,641	2,641

The ATB GIC has an interest rate of 2.18% with a maturity date of August 31, 2021 and is restricted for the purpose of assisting future major repairs on the ice plant or related systems.

6. DEFERRED REVENUE

	2020	2019
	\$	\$
Federal Gas Tax Fund (FGTF)	398,019	348,019
Municipal Sustainability Initiative (MSI) - Capital	306,843	142,829
	704,862	490,848

Village of Hines Creek
Notes to the Financial Statements
December 31, 2020

7. EMPLOYEE BENEFITS OBLIGATIONS

	2020	2019
	\$	\$
Vacation and overtime	8,545	7,123

The vacation liability is comprised of the vacation 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.

8. LONG-TERM DEBT

	2020	2019
	\$	\$
Debenture related to the paving project, payable at \$28,882 semi - annually including interest at 2.832%, matures June 15, 2028	387,857	433,663
Less: current portion	47,111	45,806
Long-term portion	340,746	387,857

Principal and interest payments are as follows:

	Principal \$	Interest \$	Total \$
2021	47,111	10,653	57,764
2022	48,454	9,309	57,763
2023	49,837	7,928	57,765
2024	51,259	6,506	57,765
2025	52,721	5,044	57,765
Thereafter	138,475	5,938	144,413
	387,857	45,378	433,235

The Village issued by-law 572-17 pursuant to Section 258 of the Municipal Government Act to authorize the financing, undertaking and completion of the street improvement project.

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

Debenture debt is repayable to the Alberta Capital Finance Authority at \$28,882 semi-annually June 15 and December 15 and bears interest at a rate of 2.832% per annum. The debenture matures June 15, 2028.

Interest on long-term liabilities amounted to \$11,959 (2019 - \$13,229).

9. MUNICIPAL REVOLVING LINE OF CREDIT

The Village passed by-law 569-16 authorizing the Mayor and Chief Administrative Officer to arranged with the Alberta Treasury Financial (ATB) an Independent Business Loan - Revolving up to \$155,000. The limit with ATB at December 31, 2020 was \$155,000. Interest will be calculated from the date or dates funds are advanced on the daily outstanding principal at Prime and will be payable on the last day of each month. This credit facility will expire and all outstanding amounts under it will be payable in full on demand by the Lender. The balance outstanding at December 31, 2020 - \$0 (2019 - \$0).

Village of Hines Creek
Notes to the Financial Statements
December 31, 2020

10. DEBT LIMIT

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

	2020	2019
	\$	\$
Total Debt Limit	2,433,369	2,523,446
Total Debt	387,857	433,663
Amount of debt limit unused	2,045,512	2,089,783
Debt Service Limit	405,562	420,574
Debt Service	-	-
Amount of debt service limit unused	405,562	420,574

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) excluding government capital transfers and the debt service limit is calculated at 0.25 times such revenue excluding government capital transfers. 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.

11. TANGIBLE CAPITAL ASSETS

	2020	2019
	\$	\$
Net Book Value		
Land	14,104	14,104
Land improvements	40,101	55,779
Buildings	622,251	660,006
Engineering structures	7,455,160	7,698,095
Machinery and equipment	204,133	201,224
Vehicles	77,295	69,892
	8,413,044	8,699,100

Village of Hines Creek
Notes to the Financial Statements
December 31, 2020

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020 \$	2019 \$
Tangible capital assets (Schedule 2)	16,535,328	16,486,571
Accumulated amortization (Schedule 2)	(8,122,284)	(7,787,471)
Long-term debt (Note 8)	(387,857)	(433,663)
	8,025,187	8,265,437

13. ACCUMULATED SURPLUS

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

	2020 \$	2019 \$
Unrestricted surplus	1,360,674	1,145,287
Restricted surplus		
Operating reserves		
Contingency fund	132,336	132,336
Doubtful accounts	42,040	22,040
Rate stabilization	240,000	240,000
Capital reserves		
Fire - Equipment	9,828	9,828
Fire - Mobile	96	96
General	77,000	77,000
Roads and Streets - Equipment	50,198	198
Roads and Streets - Signs	5,000	5,000
Recreation and Community Services	44,266	44,266
Sewer Project	46,475	36,475
Street Light Project	56,762	-
Bulk Water Dispensing Project	22,000	22,000
Water Treatment Plant	36,000	-
Equity in tangible capital assets	8,025,187	8,265,437
	10,147,862	9,999,963

14. SEGMENTED DISCLOSURE

The Village of Hines Creek 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 Hines Creek
Notes to the Financial Statements
December 31, 2020

15. SALARY AND BENEFITS DISCLOSURE

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

	2020			2019	
	Months	Salary (1) \$	Benefits & Allowances (2) \$	Total \$	Total \$
Mayor					
Hazel Reintjes	12	6,545	600	7,145	7,040
Deputy Mayor					
Camille Zavisha	12	8,965	600	9,565	9,570
Councillors					
Megan Bjornson	12	8,580	600	9,180	9,955
Chief Administrative Officer					
Leanne Walmsley	12	56,604	7,253	63,857	49,408

- (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.

16. FINANCIAL INSTRUMENTS

Credit Risk

The Village of Hines Creek is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayer and entities to which the Village of Hines Creek 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.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The Village of Hines Creek is exposed to interest rate risk on its bank account balances and any of its fixed and/or floating interest rate financial instruments.

Liquidity Risk

Liquidity risk is the risk that the Village of Hines Creek will encounter difficulty in meeting its obligations associated with financial liabilities. The Village of Hines Creek manages its liquidity risk by monitoring its operating requirements and cash forecasts to ensure it has sufficient funds to fulfil its financial obligations.

Village of Hines Creek
Notes to the Financial Statements
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17. CONTINGENCIES

The Village is a member of the Rural Municipalities Association and Counties - Jubilee Reciprocal Insurance Exchange. 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.

18. FUNDING FROM CLEARHILLS COUNTY

	2020	2019
	\$	\$
Unconditional grant	510,420	500,000
Recreation board	96,790	96,790
	607,210	596,790

The recreational board provided grants to the Village of Hines Creek during the year of \$50,000 (2019 - \$50,000) and the Hines Creek Fitness Centre \$10,000 (2019 - \$12,200).

19. BUDGET FIGURES

Budget figures are included in the financial statements for information purposes and are unaudited. The budget was approved by Council.

20. COMPARATIVE FIGURES

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

21. SIGNIFICANT EVENT

As of the date of the financial statements, there is a global outbreak of COVID-19 (coronavirus) which was declared a pandemic by the World Health Organization. This has an impact on municipal government operations through the restrictions put in place by the Canadian and provincial governments as well as the Alberta Health Services regarding travel, isolation/quarantine orders, closure of municipal facilities, cancellation or postponement of programs, and deferral of property tax and utility payments. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Village of Hines Creek as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus, and the duration of the outbreak, including the duration of facility closures, program and service disruptions, and isolation/quarantine measures that are currently or maybe put in place by Canada and other countries to fight the virus.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.