

Village of Hines Creek

Financial Statements

December 31, 2021

Village of Hines Creek

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **Village of Hines Creek (the "Village")** is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the Village's financial position as at December 31, 2021 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 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 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 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 financial statements.

The 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 financial statements.

Leanne Walmsley

Chief Administrative Officer

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

To the Members of Council

Opinion

We have audited the financial statements of the **Village of Hines Creek (the "Organization")**, which comprise the statement of financial position as at December 31, 2021, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Village of Hines Creek** as at December 31, 2021, 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 judgement 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.

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.

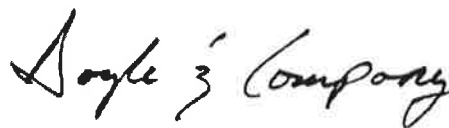
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 10.
- 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 15.

Edmonton, Alberta

April 26, 2022



Chartered Professional Accountants

Village of Hines Creek
Statement of Financial Position
As at December 31, 2021

	2021	2020
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	2,336,207	2,180,002
Receivables		
Taxes and grants in place of taxes (Note 4)	130,002	129,118
Trade and other receivables (Note 4)	507,953	554,490
Land for resale inventory	28,260	46,025
Investments (Note 5)	33,570	32,641
	3,035,992	2,942,276
LIABILITIES		
Accounts payable and accrued liabilities	81,032	76,971
Deposit liabilities	10,497	9,223
Deferred revenue (Note 6)	478,251	704,862
Employee benefits obligation (Note 7)	7,875	8,545
Long-term debt (Note 8)	340,746	387,857
	918,401	1,187,458
NET FINANCIAL ASSETS	2,117,591	1,754,818
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	8,597,901	8,413,044
ACCUMULATED OPERATING SURPLUS (Schedule 1, Note 13)	10,715,492	10,167,862

Contingencies - Note 17

The accompanying notes form part of these financial statements

Village of Hines Creek

Statement of Operations

For the year ended December 31, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	427,137	426,644	431,778
User fees and sales of goods	323,040	302,133	284,918
Government transfers for operating (Schedule 4)	664,380	645,182	857,899
Investment income	11,867	17,883	19,384
Penalties and costs of taxes	28,000	29,348	28,267
Total Revenue	1,454,424	1,421,190	1,622,246
EXPENSES			
General government			
Administration	336,870	279,927	283,915
Legislative	32,000	30,029	28,751
Protective services			
Bylaws enforcement	53,337	40,776	38,546
Transportation services			
Roads, streets, walks, lighting	257,318	241,198	257,537
Planning and development			
Land use planning, zoning and development	29,480	28,840	29,113
Recreation and culture			
Culture	26,635	21,844	25,583
Parks and recreation	338,746	304,007	312,297
Environmental services			
Water supply and distribution	240,180	346,260	346,288
Wastewater treatment and disposal	57,381	49,584	63,453
Waste management	46,477	41,551	68,864
Total Expenses	1,418,424	1,384,016	1,454,347
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	36,000	37,174	167,899
OTHER			
Gain on disposal of tangible capital assets	-	4,973	-
Government transfers for capital (Schedule 4)	-	505,483	-
EXCESS OF REVENUE OVER EXPENSES	36,000	547,630	167,899
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		10,167,862	9,999,963
ACCUMULATED OPERATING SURPLUS, END OF YEAR		10,715,492	10,167,862

The accompanying notes form part of these financial statements

Village of Hines Creek
Statement of Change in Net Financial Assets
For the year ended December 31, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
EXCESS OF REVENUES OVER EXPENSES	36,000	552,603	167,899
Acquisition of tangible capital assets	(36,000)	(536,071)	(80,747)
Proceeds on disposal of tangible capital assets	-	-	24,000
Amortization of tangible capital assets	-	351,214	349,744
(Gain) Loss on disposal of tangible capital assets	-	(4,973)	(6,941)
	(36,000)	(189,830)	286,056
INCREASE (DECREASE) IN NET ASSETS	-	362,773	453,955
NET FINANCIAL ASSETS , BEGINNING OF YEAR	-	1,754,818	1,300,863
NET FINANCIAL ASSETS, END OF YEAR	-	2,117,591	1,754,818

The accompanying notes form part of these financial statements

Village of Hines Creek

Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	552,603	167,899
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	351,214	349,744
(Gain) loss on disposal of tangible capital assets.	(4,973)	(6,941)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(884)	72,692
Decrease (increase) in trade and other receivables	46,537	(206,967)
Decrease (increase) in land held for resale	17,765	40,523
Increase (decrease) in accounts payable and accrued liabilities	4,061	7,971
Increase (decrease) in deposit liabilities	1,274	154
Increase (decrease) in deferred revenue	(226,611)	214,014
Increase (decrease) in employee benefit obligations	(670)	1,422
Cash provided by operating transactions	740,316	640,511
CAPITAL		
Acquisition of tangible capital assets	(536,071)	(80,747)
Sale of tangible capital assets	-	24,000
Cash applied to capital transactions	(536,071)	(56,747)
INVESTING		
Decrease (increase) investments	(929)	(30,000)
Cash provided by investing	(929)	(30,000)
FINANCING		
Long-term debt repaid	(47,111)	(45,806)
Cash provided by (applied to) financing transactions	(47,111)	(45,806)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	156,205	507,958
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	2,180,002	1,672,044
CASH AND CASH EQUIVALENTS, END OF YEAR	2,336,207	2,180,002

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Changes in Accumulated Operating Surplus - Schedule 1
For the year ended December 31, 2021

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
	\$	\$	\$	\$	\$
Balance, Beginning of Year	1,360,673	782,002	8,025,187	10,167,862	9,999,963
Excess of revenue over expenses	547,630	-	-	547,630	167,899
Unrestricted funds designated for future use	(490,984)	490,984	-	-	-
Current year funds used for tangible capital assets	(536,071)	-	536,071	-	-
Annual amortization expenses	351,214	-	(351,214)	-	-
Long-term debt repaid	(47,111)	-	47,111	-	-
Change in accumulated surplus	(175,322)	490,984	231,968	547,630	167,899
Balance, End of Year	1,185,351	1,272,986	8,257,155	10,715,492	10,167,862

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, 2021

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
							\$	\$
COST:								
Balance, Beginning of Year	14,104	401,475	1,804,543	13,227,331	948,389	139,486	16,535,328	16,486,571
Acquisition of tangible capital assets	-	37,859	-	487,997	10,215	-	536,071	80,747
Disposal of tangible capital assets	-	-	-	-	(40,299)	(26,741)	(67,040)	(31,990)
Balance, End of Year	14,104	439,334	1,804,543	13,715,328	918,305	112,745	17,004,359	16,535,328
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	361,374	1,182,292	5,772,171	744,256	62,191	8,122,284	7,787,471
Annual amortization	-	11,632	37,636	266,054	26,295	9,597	351,214	349,744
Accumulated amortization on disposals	-	-	-	-	(40,299)	(26,741)	(67,040)	(14,931)
Balance, End of Year	-	373,006	1,219,928	6,038,225	730,252	45,047	8,406,458	8,122,284
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	14,104	66,328	584,615	7,677,103	188,053	67,698	8,597,901	8,413,044
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	14,104	40,101	622,251	7,455,160	204,133	77,295		8,413,044

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, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
TAXATION			
Real property taxes	423,517	426,359	427,608
Designated Industrial property tax	62	62	61
Government grants in place of property taxes	64,750	61,412	64,729
	488,329	487,833	492,398
REQUISITIONS			
Alberta School Foundation Fund	51,958	51,955	51,386
Seniors Foundation	9,234	9,234	9,234
	61,192	61,189	60,620
NET MUNICIPAL TAXES	427,137	426,644	431,778

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
<u>TRANSFERS FOR OPERATING</u>			
Provincial Government	63,150	63,392	153,434
Local Government (Note 18)	601,230	581,790	704,465
	664,380	645,182	857,899
<u>TRANSFERS FOR CAPITAL</u>			
Provincial Government	-	505,483	-
TOTAL GOVERNMENT TRANSFERS	664,380	1,150,665	857,899

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Expenditures by Object - Schedule 5
For the year ended December 31, 2021

	2021 Budget (Unaudited) \$	2021 Actual \$	2020 Actual \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	444,715	401,552	401,290
Contracted and general services	461,901	325,304	341,982
Materials, goods, and utilities	256,960	168,759	166,631
Provision for allowance	60,000	-	20,000
Transfers to local boards and agencies	134,230	124,984	159,595
Bank charges and short-term interest	2,850	1,550	3,147
Interest on long-term debt	57,768	10,653	11,959
Amortization of tangible capital assets	-	351,214	349,743
TOTAL EXPENSES	1,418,424	1,384,016	1,454,347

The accompanying notes form part of these financial statements

Village of Hines Creek
Schedule of Segmented Disclosure - Schedule 6
For the year ended December 31, 2021

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	2021 \$
REVENUE							
Net municipal taxes	426,644	-	-	-	-	-	426,644
Operating government transfers	14,030	-	-	-	181,592	449,560	645,182
User fees and sales of goods	5,634	3,338	6,083	(8,265)	29,447	243,636	279,873
Investment income	17,883	-	-	-	-	-	17,883
Other revenue	26,395	2,954	3,356	-	18,903	-	51,608
	490,586	6,292	9,439	(8,265)	229,942	693,196	1,421,190
EXPENSES							
Bank charges and interest	1,550	-	-	-	-	-	1,550
Interest on long-term debt	-	-	10,653	-	-	-	10,653
Contracted and general services	92,893	9,344	40,829	3,642	98,079	80,517	325,304
Materials, goods and utilities	16,262	4,160	48,075	-	25,351	74,911	168,759
Salaries, wages and benefits	181,171	25,572	56,132	7,660	72,088	58,929	401,552
Transfers to local boards and agencies	-	-	-	17,538	92,544	14,902	124,984
Balance, End of Year	291,876	39,076	155,689	28,840	288,062	229,259	1,032,802
NET REVENUE, BEFORE AMORTIZATION AND OTHER							
	198,710	(32,784)	(146,250)	(37,105)	(58,120)	463,937	388,388
Gain on disposal of tangible capital assets	-	-	4,973	-	-	-	4,973
Capital government transfers	505,483	-	-	-	-	-	505,483
Amortization	(18,080)	(1,700)	(85,509)	-	(37,789)	(208,136)	(351,214)
NET REVENUE	686,113	(34,484)	(226,786)	(37,105)	(95,909)	255,801	547,630

The accompanying notes form part of these financial statements

Village of Hines Creek
Notes to the Financial Statements
December 31, 2021

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 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 of Hines Creek 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.

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 or goods have yet to be provided. Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided or the tangible assets are acquired.

(c) Cash and Temporary Investments

Cash and cash equivalents consists of bank deposits and savings accounts with a term of three (3) months or less.

(d) Investments

Investments in interest bearing securities 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, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Long-Term Debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

(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 the 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) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the Village of Hines Creek is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(j) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the village has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(k) 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.

(l) 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.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2021

2. 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.

3. CASH AND TEMPORARY INVESTMENTS

	2021	2020
	\$	\$
Bank account - operating	226,648	1,097,084
Bank account - sale of tax properties	71,308	53,431
Temporary investments	2,038,251	1,029,487
	2,336,207	2,180,002

Included in temporary investments is a restricted amount of \$54,000 (2020 - \$198,019) received from the Federal Gas Tax Fund held for approved projects.

Council has designated funds of \$1,272,986 (2020 - \$782,002) 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%

4. RECEIVABLES

	2021	2020
	\$	\$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	112,625	61,855
Arrears taxes	17,377	67,263
	130,002	129,118

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

Village of Hines Creek
Notes to the Financial Statements
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4. RECEIVABLES - Continued

ii) Trade and other receivables

Goods and services tax receivable	31,749	12,508
Government receivable	442,886	506,843
Trade and other receivables	33,318	35,139
	507,953	554,490

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$342,886 (2020 - \$306,843) and \$100,000 (2020 - \$200,000) Federal Gas Tax Fund.

5. INVESTMENTS

	2021	2020
	\$	\$
ATB - Guaranteed Investment Certificate (GIC) - at cost	30,987	30,000
United Farmers of Alberta Co-operative Ltd. - at cost	2,488	2,546
Alberta Municipal Financing Corporation Shares - at cost	10	10
Alberta Association of Municipal Districts and Counties - at cost	85	85
	33,570	32,641

The ATB GIC has an interest rate of 0.50% with a maturity date of February 21, 2023 and is restricted for the purpose of assisting future major repairs on the ice plant or related systems.

6. DEFERRED REVENUE

	2021	2020
	\$	\$
Federal Gas Tax Fund (FGTF)	154,000	398,019
Municipal Sustainability Initiative (MSI) - Capital	324,251	306,843
	478,251	704,862

Municipal Sustainability Initiative (MSI)

Funding in the amount of \$49,362 was received in the current year and \$178,872 is set up as receivable from the Municipal Sustainability Initiative. Of the \$228,234 funding amount, \$178,872 is from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement. The remaining \$49,362 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement.

Funding from the province and interest earned on the conditional capital transfers (Federal Gas Tax Fund) in the amount of \$54,000 (2020 - \$198,019) remains unspent at year-end. The use of these funds is restricted to eligible projects, as approved under the funding agreement. Unexpected funds related to these advances are supported by cash in bank (refer to Note 3)

Village of Hines Creek
Notes to the Financial Statements
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7. EMPLOYEE BENEFITS OBLIGATIONS

	2021	2020
	\$	\$
Vacation and overtime	7,875	8,545

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.

8. LONG-TERM DEBT

	2021	2020
	\$	\$
Alberta Capital Finance Authority - 4002400	340,746	387,857
Less: current portion	48,454	47,111
Long-term portion	292,292	340,746

The current portion of long-term debt amounts to \$48,454 (2020 - \$47,111).

Principal and interest payments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2026	54,224	3,540	57,764
Thereafter	84,251	2,397	86,648
	340,746	34,724	375,470

The debenture 4002400 is repayable to the Alberta Capital Finance Authority and bears interest at a rate of 2.832% per annum and matures June 15, 2028 repayable over a 10 year period in semi-annual installments of \$28,882 (starting December 15, 2018).

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.

Interest on long-term debt amounted to \$10,653 (2020 - \$11,959).

Village of Hines Creek
Notes to the Financial Statements
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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, 2021 was \$155,000. Interest will be calculated from the date or dates funds are advanced on the daily outstanding principal at ATB's Prime rate 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 ATB. The balance outstanding at December 31, 2021 - \$0 (2020 - \$0).

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:

	2021 \$	2020 \$
Total Debt Limit	2,131,785	2,433,369
Total Debt	340,746	387,857
Amount of debt limit unused	1,791,039	2,045,512
Debt Service Limit	355,298	405,562
Debt Service	57,764	57,764
Amount of debt service limit unused	297,534	347,798

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada for the purposes of capital property (as defined in Alberta Regulation 255/2000) 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.

11. TANGIBLE CAPITAL ASSETS

	2021 \$	2020 \$
Net Book Value		
Land	14,104	14,104
Land improvements	66,328	40,101
Buildings	584,615	622,251
Engineering structures	7,677,103	7,455,160
Machinery and equipment	188,053	204,133
Vehicles	67,698	77,295
	8,597,901	8,413,044

Village of Hines Creek
Notes to the Financial Statements
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12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021 \$	2020 \$
Tangible capital assets (Schedule 2)	17,004,359	16,535,328
Accumulated amortization (Schedule 2)	(8,406,458)	(8,122,284)
Long-term debt (Note 8)	(340,746)	(387,857)
	8,257,155	8,025,187

13. ACCUMULATED OPERATING SURPLUS

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

	2021 \$	2020 \$
Unrestricted surplus	1,185,351	1,360,673
Internally restricted surplus		
Operating reserves		
Contingency fund	204,320	132,336
Doubtful accounts	112,040	42,040
Rate stabilization	240,000	240,000
Capital reserves		
Arena	120,000	20,000
Drainage	10,000	-
Fire - Equipment	310	9,828
Fire - Mobile	-	97
General Administration	77,000	77,000
Property Clean-up	100,000	-
Roads and Streets - Equipment	136,813	50,198
Roads and Streets - Signs	-	5,000
Recreation and Community Services	44,266	44,266
Sewer Project	63,475	46,475
Street Light Project	56,762	56,762
Bulk Water Dispensing Project	-	22,000
Water Treatment Plant	108,000	36,000
Equity in Tangible Capital Assets (Note 12)	8,257,155	8,025,187
	10,715,492	10,167,862

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).

General government includes administration and legislative. Protective services include bylaw enforcement. Transportation services includes roads, streets, walks, and lighting. Planning and development includes land use planning, zoning and development. Recreation and culture includes culture, and parks and recreation. Environmental services includes water supply and distribution, wastewater treatment and disposal, and waste management.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2021

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:

	2021			2020	
	Months	Salary (1) \$	Benefits & Allowances (2) \$	Total \$	Total \$
Mayor					
Hazel Reintjes	12	6,655	387	7,042	7,145
Deputy Mayor					
Camille Zavisha	10	7,590	387	7,977	9,565
Alison Bjornson	2	1,980	584	2,564	-
Councillors					
Len Rimmer	3	1,705	461	2,166	-
Megan Bjornson	10	5,555	300	5,855	9,180
Chief Administrative Officer					
Leanne Walmsley	12	61,570	8,649	70,219	63,857

- (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

	2021	2020
	\$	\$
Unconditional grant	425,000	510,420
Recreation board	96,790	96,790
	521,790	607,210

The recreational board provided grants to the Village of Hines Creek during the year of \$50,000 (2020 - \$50,000) and the Hines Creek Fitness Centre \$10,000 (2020 - \$10,000).

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.