

Village of Hines Creek Council Request for Decision (RFD)

| | |
|----------------|---|
| Meeting: | Regular Council Meeting |
| Meeting Date: | May 14, 2019 |
| Originated By: | Leanne Walmsley, Chief Administrative Officer |
| Title: | Financial – 2018 Financial Statement |
| File: | 0201 |

BACKGROUND/PROPOSAL:

Attached is the Financial Statement for 2018 for Council review.

DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES

COSTS/SOURCE OF FUNDING (if applicable)

RECOMMENDED ACTION:

Council resolves to receive the 2018 Financial Statement as information, and authorize the distribution of it to the public

| | | |
|-------------------------------------|----------|------------------|
| Initials show support- Reviewed by: | Manager: | C.A.O. <i>dw</i> |
|-------------------------------------|----------|------------------|

Village of Hines Creek

Financial Statements

December 31, 2018

Village of Hines Creek

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MANAGEMENT'S REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the Village of Hines Creek.

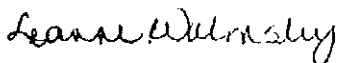
These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Village of Hines Creek maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Village of Hines Creek's assets are appropriately accounted for and adequately safeguarded.

The elected Council of the Village of Hines Creek are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets annually with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Doyle & Company, Chartered Professional Accountants, the external auditors, in accordance with Canadian auditing standards on behalf of the Council, residents and ratepayers of the Village of Hines Creek. Doyle & Company has full and free access to the Village's Council.



Leanne Walmsley

Chief Administrative Officer

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
*Operates as a professional Corporation

11210 – 107 Avenue N.W.
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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, 2018, 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, 2018, 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 Entity 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 Entity'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 cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 controls.

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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 Entity'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 Entity'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 Entity 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.

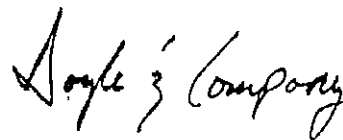
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Entity'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 13.

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



Edmonton, Alberta

February 26, 2019

Chartered Professional Accountants

Village of Hines Creek
Consolidated Statement of Financial Position
As at December 31, 2018

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash and temporary investments | 1,288,386 | 38,499 |
| Restricted funds | - | 1,306,088 |
| Receivables | | |
| Taxes and grants in place of taxes (Note 3) | 120,893 | 95,029 |
| Trade and other receivables (Note 4) | 134,274 | 86,267 |
| Land for resale inventory | 22,000 | 22,000 |
| Investments (Note 5) | 3,839 | 3,893 |
| | 1,569,392 | 1,551,776 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 229,300 | 61,278 |
| Deposit liabilities | 12,193 | 14,224 |
| Long-term liabilities (Note 6) | 478,198 | - |
| | 719,691 | 75,502 |
| NET FINANCIAL ASSETS | 849,701 | 1,476,274 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Schedule 2) | 8,910,695 | 8,038,289 |
| ACCUMULATED SURPLUS (Schedule 1, Note 11) | 9,760,396 | 9,514,563 |

Contingencies - See Note 15

The accompanying notes form part of these financial statements

Village of Hines Creek
Consolidated Statement of Operations
For the year ended December 31, 2018

| | 2018 Budget (Unaudited) \$ | 2018 Actual \$ | 2017 Actual \$ |
|---|-------------------------------------|----------------------|----------------------|
| REVENUE | | | |
| Net municipal taxes (Schedule 3) | 538,743 | 540,873 | 524,275 |
| User fees and sales of goods | 340,275 | 327,309 | 317,190 |
| Government transfers for operating (Schedule 4) | 742,957 | 783,637 | 575,870 |
| Investment income | 11,340 | 25,253 | 16,782 |
| Penalties and costs of taxes | 27,750 | 47,872 | 25,125 |
| | 1,661,065 | 1,724,944 | 1,459,242 |
| EXPENSES | | | |
| Administration | 317,302 | 280,268 | 257,112 |
| Bylaws enforcement | 34,555 | 28,219 | 28,840 |
| Culture | 21,580 | 24,815 | 24,755 |
| Land use planning, zoning and development | 23,514 | 21,752 | 22,948 |
| Legislative | 54,500 | 35,503 | 13,499 |
| Parks and recreation | 353,578 | 334,587 | 346,865 |
| Roads, streets, walks, lighting | 267,695 | 242,036 | 189,225 |
| Water supply and distribution | 315,980 | 481,453 | 526,642 |
| Wastewater treatment and disposal | 82,611 | 60,412 | 53,456 |
| Waste management | 68,750 | 56,955 | 51,516 |
| | 1,540,065 | 1,566,000 | 1,514,858 |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS | 121,000 | 158,944 | (55,616) |
| OTHER ITEMS | | | |
| Government transfers for capital (Schedule 4) | 401,000 | 86,891 | 87,325 |
| EXCESS OF REVENUE OVER EXPENSES | 522,000 | 245,833 | 31,709 |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | | 9,514,563 | 9,482,854 |
| ACCUMULATED SURPLUS, END OF YEAR | | 9,760,396 | 9,514,563 |

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, 2018

| | 2018 Budget (Unaudited) \$ | 2018 Actual \$ | 2017 Actual \$ |
|---|-------------------------------------|----------------------|----------------------|
| EXCESS OF REVENUES OVER EXPENSES | 522,000 | 245,833 | 31,709 |
| Acquisition of tangible capital assets | (1,368,000) | (1,237,430) | - |
| Amortization of tangible capital assets | - | 365,024 | 323,197 |
| | (1,368,000) | (872,406) | 323,197 |
| INCREASE (DECREASE) IN NET ASSETS | (846,000) | (626,573) | 354,906 |
| NET FINANCIAL ASSETS , BEGINNING OF YEAR | | 1,476,274 | 1,121,368 |
| NET FINANCIAL ASSETS, END OF YEAR | | 849,701 | 1,476,274 |

The accompanying notes form part of these financial statements

Village of Hines Creek
Consolidated Statement of Cash Flows
For the year ended December 31, 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| OPERATING | | |
| Excess of revenue over expenses | 245,833 | 31,709 |
| Non-cash items included in excess (shortfall) of revenue over expenses: | | |
| Amortization of tangible capital assets | 365,024 | 323,197 |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in taxes and grants in place of taxes | (25,864) | 9,095 |
| Decrease (increase) in trade and other receivables | (48,007) | 57,370 |
| Decrease (increase) in land for resale inventory | - | 7,800 |
| (Decrease) increase in accounts payable and accrued liabilities | 168,022 | (47,960) |
| (Decrease) increase in deposit liabilities | (2,031) | (1,080) |
| Cash provided by operating transactions | 702,977 | 380,131 |
| CAPITAL | | |
| Acquisition of tangible capital assets | (1,237,430) | - |
| INVESTING | | |
| Decrease (increase) investments (see note 3) | 1,306,142 | (501,515) |
| FINANCING | | |
| Long-term debt | 478,198 | - |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | 1,249,887 | (121,384) |
| CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR | 38,499 | 159,883 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | 1,288,386 | 38,499 |

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, 2018

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2018 \$ | 2017 \$ |
|--|-------------------------|-----------------------|--------------------------------------|------------|------------|
| Balance, Beginning of Year | 235,416 | 1,240,859 | 8,038,289 | 9,514,563 | 9,482,854 |
| Excess of revenue over expenses | 245,833 | - | - | 245,833 | 31,709 |
| Unrestricted funds designated for future use | (240,000) | 240,000 | - | - | - |
| Restricted funds used for tangible capital assets | - | (459,000) | 459,000 | - | - |
| Current years funds used for tangible capital assets | (778,430) | - | 778,430 | - | - |
| Annual amortization expenses | 365,024 | - | (365,024) | - | - |
| Long-term debt acquired | 500,000 | - | (500,000) | - | - |
| Long-term debt repaid | (21,802) | - | 21,802 | - | - |
| Change in accumulated surplus | 70,625 | (219,000) | 394,208 | 245,833 | 31,709 |
| Balance, End of Year | 306,041 | 1,021,859 | 8,432,497 | 9,760,396 | 9,514,563 |

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, 2018

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | 2018 | 2017 |
|---|---------------|-------------------|----------------|-----------------------|-------------------------|---------------|------------------|------------------|
| | | | | | | | \$ | \$ |
| COST: | | | | | | | | |
| Balance, Beginning of Year | 14,105 | 401,475 | 1,804,543 | 11,947,047 | 872,830 | 82,839 | 15,122,839 | 15,122,836 |
| Acquisition of tangible capital assets | - | - | - | 1,232,127 | 5,303 | - | 1,237,430 | - |
| Balance, End of Year | 14,105 | 401,475 | 1,804,543 | 13,179,174 | 878,133 | 82,839 | 16,360,269 | 15,122,836 |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| Balance, Beginning of Year | - | 314,340 | 1,064,051 | 5,033,320 | 625,391 | 47,448 | 7,084,550 | 6,761,350 |
| Annual amortization | - | 15,678 | 42,730 | 259,051 | 45,599 | 1,966 | 365,024 | 323,197 |
| Balance, End of Year | - | 330,018 | 1,106,781 | 5,292,371 | 670,990 | 49,414 | 7,449,574 | 7,084,547 |
| NET BOOK VALUE | 14,105 | 71,457 | 697,762 | 7,886,803 | 207,143 | 33,425 | 8,910,695 | 8,038,289 |
| 2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | | | | | | | | |
| | 14,105 | 87,135 | 740,491 | 7,086,461 | 74,706 | 35,391 | 8,038,289 | |

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, 2018

| | 2018 Budget (Unaudited) \$ | 2018 Actual \$ | 2017 Actual \$ |
|--|-------------------------------------|----------------------|----------------------|
| TAXATION | | | |
| Real property taxes | 538,045 | 546,801 | 521,172 |
| Designated Industrial tax | 28 | 33 | - |
| Government grants in place of property taxes | 60,000 | 53,368 | 58,335 |
| | 598,073 | 600,202 | 579,507 |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 59,330 | 50,702 | 55,232 |
| Designated Industrial tax | - | 27 | - |
| Seniors Foundation | - | 8,600 | - |
| | 59,330 | 59,329 | 55,232 |
| NET MUNICIPAL TAXES | 538,743 | 540,873 | 524,275 |

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, 2018

| | 2018 Budget (Unaudited) \$ | 2018 Actual \$ | 2017 Actual \$ |
|---------------------------------------|-------------------------------------|----------------------|----------------------|
| <u>TRANSFERS FOR OPERATING</u> | | | |
| Provincial Government | 69,857 | 116,349 | 59,070 |
| Local Government (Note 16) | 673,100 | 667,288 | 516,800 |
| | 742,957 | 783,637 | 575,870 |
| <u>TRANSFERS FOR CAPITAL</u> | | | |
| Provincial Government | 401,000 | 86,891 | 87,325 |
| | 401,000 | 86,891 | 87,325 |
| TOTAL GOVERNMENT TRANSFERS | 1,143,957 | 870,528 | 663,195 |

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, 2018

| | 2018 Budget (Unaudited) \$ | 2018 Actual \$ | 2017 Actual \$ |
|---|-------------------------------------|----------------------|----------------------|
| CONSOLIDATED EXPENSES BY OBJECT | | | |
| Salaries, wages and benefits | 505,698 | 452,657 | 479,046 |
| Contracted and general services | 570,251 | 393,001 | 372,270 |
| Materials, goods, and utilities | 275,697 | 193,461 | 179,921 |
| Transfers to local boards and agencies | 158,286 | 152,900 | 151,713 |
| Bank charges and short-term interest | 30,133 | 1,879 | 8,711 |
| Interest on long-term debt | - | 7,080 | - |
| Amortization of tangible capital assets | - | 365,024 | 323,197 |
| TOTAL EXPENSES | 1,540,065 | 1,566,002 | 1,514,858 |

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, 2018

| | General Government | Protective Services | Transportation Services | Planning & Development | Recreation & Culture | Environmental Services | 2018 \$ |
|---|--------------------|---------------------|-------------------------|------------------------|----------------------|------------------------|------------------|
| REVENUE | | | | | | | |
| Net municipal taxes | 487,477 | - | - | - | - | - | 487,477 |
| Government transfers | 136,891 | - | - | - | 101,279 | 501,040 | 739,210 |
| User fees and sales of goods | 2,486 | - | 1,306 | - | 33,980 | 229,667 | 267,439 |
| Investment income | 25,253 | - | - | - | - | - | 25,253 |
| Other revenue | 115,313 | 2,524 | 4,200 | - | 170,390 | - | 292,427 |
| | 767,420 | 2,524 | 5,506 | - | 305,649 | 730,707 | 1,811,806 |
| EXPENSES | | | | | | | |
| Bank charges and interest | 1,879 | - | 7,080 | - | - | - | 8,959 |
| Contracted and general services | 106,300 | 4,343 | 41,667 | - | 111,922 | 132,087 | 396,319 |
| Materials, goods and utilities | 15,683 | 3,513 | 50,400 | - | 19,307 | 101,238 | 190,141 |
| Salaries, wages and benefits | 175,518 | 16,331 | 46,810 | 150 | 67,455 | 146,393 | 452,657 |
| Transfers to local boards and agencies | 17,538 | - | - | - | 113,754 | 21,580 | 152,872 |
| | 316,918 | 24,187 | 145,957 | 150 | 312,438 | 401,298 | 1,200,948 |
| NET REVENUE, BEFORE AMORTIZATION | 450,502 | (21,663) | (140,451) | (150) | (6,789) | 329,409 | 610,858 |
| Amortization | 20,180 | 4,032 | 96,079 | - | 47,211 | 197,523 | 365,025 |
| NET REVENUE | 430,322 | (25,695) | (236,530) | (150) | (54,000) | 131,886 | 245,833 |

The accompanying notes form part of these financial statements

Village of Hines Creek
Notes to the Financial Statements
December 31, 2018

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 Canadian Professional Chartered Accountants. 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) Cash and Cash Equivalents

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

(d) Investments

Investments are recorded at cost. 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, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and 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.

(g) 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.

(h) 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.

(i) 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, 2018

1. **SIGNIFICANT ACCOUNTING POLICIES - continued**

(j) **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:

| | <u>Years</u> |
|-------------------------|--------------|
| 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 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.

(k) **Financial Instruments**

(i) **Measurement of financial instruments**

Village of Hines Creek initially measures all of its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

Village of Hines Creek subsequently measures all of its financial assets and liabilities at amortized cost, except in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and temporary investments, restricted funds, taxes and grants in place of taxes, trade and other receivables and investments.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICES - continued

(k) Financial Instrument - continued

(ii) Measurement of financial instruments - continued

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities, accrued interest and long term debt.

(iii) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would be reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

2. MEASUREMENT UNCERTAINTY

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 expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

| | 2018 | 2017 |
|--|----------------|---------------|
| | \$ | \$ |
| Current taxes and grants in place of taxes | 74,175 | 47,096 |
| Arrears taxes | 46,718 | 47,933 |
| | 120,893 | 95,029 |

Note there is an operating reserve set-up for doubtful accounts. See note 11 Accumulated Surplus under operating reserves for the amount.

4. TRADE AND OTHER RECEIVABLES

| | 2018 | 2017 |
|-----------------------------|----------------|---------------|
| | \$ | \$ |
| Trade and other receivables | 62,261 | 70,220 |
| GST receivable | 72,013 | 16,047 |
| | 134,274 | 86,267 |

Village of Hines Creek
Notes to the Financial Statements
December 31, 2018

5. INVESTMENTS

| | 2018 | 2017 |
|--|--------------|--------------|
| | \$ | \$ |
| United Farmers of Alberta Co-operative Ltd. | 3,744 | 3,798 |
| Alberta Municipal Financing Corporation Shares - at cost | 10 | 10 |
| Alberta Association of Municipal Districts and Counties | 85 | 85 |
| | 3,839 | 3,893 |

6. LONG-TERM LIABILITIES

| | 2018 | 2017 |
|--|---------|------|
| | \$ | \$ |
| Debenture related to the paving project, payable at \$28,882 semi - annually including interest at 2.832%, matures June 15, 2028 | 478,198 | - |
| Less: current portion | 45,235 | - |
| Long-term portion | 432,963 | - |

Principal and interest payments are as follows:

| | Principal | Interest | Total |
|------------|----------------|---------------|----------------|
| | \$ | \$ | \$ |
| 2019 | 44,535 | 13,319 | 57,854 |
| 2020 | 45,235 | 11,960 | 57,195 |
| 2021 | 56,806 | 10,653 | 67,459 |
| 2022 | 48,454 | 9,309 | 57,763 |
| 2023 | 49,837 | 7,928 | 57,765 |
| Thereafter | 233,331 | 17,397 | 250,728 |
| | 478,198 | 70,566 | 548,764 |

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 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 matured June 15, 2028.

7. 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, 2018 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, 2018 - \$0 (2017 - \$0).

Village of Hines Creek
Notes to the Financial Statements
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8. 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:

| | 2018 \$ | 2017 \$ |
|--|------------------|------------------|
| Total Debt Limit | 2,587,416 | 2,188,863 |
| Total Debt | 478,198 | - |
| Amount of debt limit unused | 2,109,218 | 2,188,863 |
| Debt Service Limit | 431,236 | 364,811 |
| Debt Service | - | - |
| Amount of debt service limit unused | 431,236 | 364,811 |

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.

9. TANGIBLE CAPITAL ASSETS

| | 2018 \$ | 2017 \$ |
|-------------------------|------------------|------------------|
| Net Book Value | | |
| Land | 14,105 | 14,105 |
| Land improvements | 71,457 | 87,135 |
| Buildings | 697,762 | 740,492 |
| Engineering structures | 7,886,803 | 6,913,727 |
| Machinery and equipment | 207,143 | 247,439 |
| Vehicles | 33,425 | 35,391 |
| | 8,910,695 | 8,038,289 |

Village of Hines Creek
Notes to the Financial Statements
December 31, 2018

10. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2018 | 2017 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| Tangible capital assets (Schedule 2) | 16,360,269 | 15,122,836 |
| Accumulated amortization (Schedule 2) | (7,449,574) | (7,084,547) |
| Long-term debt (Note 6) | (478,198) | - |
| | 8,432,497 | 8,038,289 |

11. ACCUMULATED SURPLUS

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

| | 2018 | 2017 |
|-----------------------------------|------------------|------------------|
| | \$ | \$ |
| Unrestricted surplus | 306,041 | 235,416 |
| Restricted surplus | | |
| Operating reserves | | |
| Contingency fund | 132,336 | 132,336 |
| Doubtful accounts | 22,040 | 22,040 |
| Rate stabilization | 240,000 | - |
| Capital reserves | | |
| Fire - Equipment | 10,535 | 10,535 |
| Fire - Mobile | 2,008 | 2,008 |
| General | 77,000 | 209,000 |
| Roads and Streets - Equipment | 198 | 127,198 |
| Roads and Streets - Signs | 5,000 | 5,000 |
| Recreation and Community Services | 44,266 | 44,266 |
| Sewer Project | 36,475 | 36,475 |
| Paving and Overlay | - | 200,000 |
| Water Meters | 264,000 | 264,000 |
| Bulk Water Dispensing Project | 22,000 | 22,000 |
| Water Well Project | 166,000 | 166,000 |
| Equity in tangible capital assets | 8,432,497 | 8,038,289 |
| | 9,760,396 | 9,514,563 |

12. 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, 2018

13. 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:

| | 2018 | | | 2017 | |
|-------------------------------------|--------|---------------------|---------------------------------------|-------------|-------------|
| | Months | Salary (1) \$ | Benefits & Allowances (2) \$ | Total \$ | Total \$ |
| Mayor | | | | | |
| Hazel Reintjes | 12 | 5,561 | 2,739 | 8,300 | 1,850 |
| Deputy Mayor | | | | | |
| Camille Zavisha | 12 | 6,901 | 3,399 | 10,300 | - |
| James MacKenzie | - | - | - | - | 1,430 |
| Councilors | | | | | |
| Albert Mierzewski | - | - | - | - | 1,765 |
| Megan Bjornson | 12 | 7,571 | 3,729 | 11,300 | 2,200 |
| Chief Administrative Officer | | | | | |
| Leanne Walmsley | 12 | 47,685 | 4,105 | 51,790 | 46,200 |

- (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.

14. 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
December 31, 2018

15. 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.

16. FUNDING FROM CLEARHILLS COUNTY

| | 2018 | 2017 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Unconditional grant | 500,000 | 350,000 |
| Recreation board | 101,032 | 101,800 |
| | 601,032 | 451,800 |

The recreational board provided grants to the Village of Hines Creek during the year of \$50,000 (2017 - \$50,000) and the Hines Creek Fitness Centre \$5,000 (2017 - \$10,000).

17. BUDGET FIGURES

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

18. COMPARATIVE FIGURES

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

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.