

Village of Hines Creek Council Request for Decision (RFD)

Meeting:	Regular Council Meeting
Meeting Date:	June 9, 2020
Originated By:	Leanne Walmsley, Chief Administrative Officer
Title:	Financial – December 31, 2019 Draft Financial Statement
File:	0201

BACKGROUND/PROPOSAL:

Please find attached the Draft Financial Statement for December 31, 2019.

DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES

COSTS/SOURCE OF FUNDING (if applicable)

RECOMMENDED ACTION:

That Council adopts the Draft Financial Statement for December 31, 2020.

Initials show support- Reviewed by:	Manager:	C.A.O. <i>lw</i>
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Village of Hines Creek

Financial Statements

December 31, 2019

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, 2019 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 Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee 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*
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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, 2019, 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, 2019, 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 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.

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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.

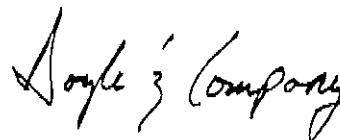
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 10.

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



Edmonton, Alberta

May 26, 2019

Chartered Professional Accountants

Village of Hines Creek
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	1,672,044	1,288,386
Receivables		
Taxes and grants in place of taxes (Note 4)	201,810	120,893
Trade and other receivables (Note 5)	367,523	234,274
Land for resale inventory	86,548	22,000
Investments (Note 6)	2,641	3,839
	2,330,566	1,669,392
LIABILITIES		
Accounts payable and accrued liabilities	96,123	229,300
Deposit liabilities	9,069	12,193
Deferred revenue (Note 7)	490,848	248,019
Long-term liabilities (Note 8)	433,663	478,198
	1,029,703	967,710
NET FINANCIAL ASSETS	1,300,863	701,682
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	8,699,100	8,910,695
ACCUMULATED SURPLUS (Schedule 1, Note 13)	9,999,963	9,612,377

Contingencies - Note 17
Subsequent event - Note 19

The accompanying notes form part of these financial statements

Village of Hines Creek
Consolidated Statement of Operations
For the year ended December 31, 2019

	2019 Budget (Unaudited) \$	2019 Actual \$	2018 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	554,935	551,130	540,873
User fees and sales of goods	336,045	347,210	327,309
Government transfers for operating (Schedule 4)	723,139	728,162	783,637
Investment income	17,460	26,524	25,253
Penalties and costs of taxes	32,382	29,271	47,872
	1,663,961	1,682,297	1,724,944
EXPENSES			
Administration	364,386	359,874	280,268
Bylaws enforcement	51,946	38,659	28,219
Culture	26,797	25,422	24,815
Land use planning, zoning and development	30,354	24,978	21,752
Legislative	47,000	33,979	35,503
Parks and recreation	340,980	329,566	334,587
Roads, streets, walks, lighting	259,772	239,805	242,036
Water supply and distribution	319,630	375,551	481,453
Wastewater treatment and disposal	61,519	75,766	60,412
Waste management	76,577	64,047	56,955
	1,578,961	1,567,647	1,566,000
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS	85,000	114,650	158,944
OTHER ITEMS			
Government transfers for capital (Schedule 4)	401,000	272,936	86,891
EXCESS OF REVENUE OVER EXPENSES	486,000	387,586	245,833
ACCUMULATED SURPLUS, BEGINNING OF YEAR		9,612,377	9,366,544
ACCUMULATED SURPLUS, END OF YEAR		9,999,963	9,612,377

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, 2019

	2019 Budget (Unaudited) \$	2019 Actual \$	2018 Actual \$
EXCESS OF REVENUES OVER EXPENSES	486,000	387,586	245,833
Acquisition of tangible capital assets	(40,000)	(126,302)	(1,237,430)
Amortization of tangible capital assets	-	337,897	365,024
	(40,000)	211,595	(872,406)
INCREASE (DECREASE) IN NET ASSETS	446,000	599,181	(626,573)
NET FINANCIAL ASSETS, BEGINNING OF YEAR		701,682	1,328,255
NET FINANCIAL ASSETS, END OF YEAR		1,300,863	701,682

The accompanying notes form part of these financial statements

Village of Hines Creek
Consolidated Statement of Cash Flows
For the year ended December 31, 2019

	2019	2018
	\$	\$
OPERATING		
Excess of revenue over expenses	387,586	245,833
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	337,897	365,024
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(80,917)	(25,864)
Decrease (increase) in trade and other receivables	(133,249)	(48,007)
Decrease (increase) in land for resale inventory	(64,548)	-
(Decrease) increase in accounts payable and accrued liabilities	(133,177)	168,022
(Decrease) increase in deposit liabilities	(3,124)	(2,031)
(Decrease) increase in deferred revenue	242,829	-
Cash provided by operating transactions	553,297	702,977
CAPITAL		
Acquisition of tangible capital assets	(126,302)	(1,237,430)
INVESTING		
Decrease (increase) investments (see note 3)	1,198	1,306,142
FINANCING		
Long-term debt	(44,535)	478,198
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	383,658	1,249,887
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,288,386	38,499
CASH AND CASH EQUIVALENTS, END OF YEAR	1,672,044	1,288,386

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, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019 \$	2018 \$
Balance, Beginning of Year	158,022	1,021,859	8,432,496	9,612,377	9,366,544
Excess of revenue over expenses	387,586	-	-	387,586	245,833
Restricted funds used for operations	430,000	(430,000)	-	-	-
Current years funds used for tangible capital assets	(126,302)	-	126,302	-	-
Annual amortization expenses	337,897	-	(337,897)	-	-
Long-term debt repaid	(44,535)	-	44,535	-	-
Change in accumulated surplus	984,646	(430,000)	(167,060)	387,586	245,833
Balance, End of Year	1,142,668	591,859	8,265,436	9,999,963	9,612,377

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, 2019

	Land	Land	Buildings	Engineered	Machinery and	Vehicles	2019	2018
		Improvements		Structures	Equipment		S	S
COST:								
Balance, Beginning of Year	14,104	401,475	1,804,543	13,179,174	878,134	82,839	16,360,269	15,122,839
Acquisition of tangible capital assets	-	-	-	48,157	37,689	40,456	126,302	1,237,430
Balance, End of Year	14,104	401,475	1,804,543	13,227,331	915,823	123,295	16,486,571	16,360,269
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	330,018	1,106,781	5,292,371	670,990	49,414	7,449,574	7,084,550
Annual amortization	-	15,678	37,756	236,865	43,609	3,989	337,897	365,024
Balance, End of Year	-	345,696	1,144,537	5,529,236	714,599	53,403	7,787,471	7,449,574
NET BOOK VALUE	14,104	55,779	660,006	7,698,095	201,224	69,892	8,699,100	8,910,695
 2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	14,105	87,135	740,491	7,086,461	74,706	35,391		8,910,695

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, 2019

	2019 Budget (Unaudited) \$	2019 Actual \$	2018 Actual \$
TAXATION			
Real property taxes	549,345	554,786	546,801
Designated Industrial tax	66	66	33
Government grants in place of property taxes	65,000	56,669	53,368
	614,411	611,521	600,202
REQUISITIONS			
Alberta School Foundation Fund	59,476	51,725	50,702
Designated Industrial tax	-	66	27
Seniors Foundation	-	8,600	8,600
	59,476	60,391	59,329
NET MUNICIPAL TAXES	554,935	551,130	540,873

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, 2019

	2019 Budget (Unaudited) \$	2019 Actual \$	2018 Actual \$
<u>TRANSFERS FOR OPERATING</u>			
Provincial Government	66,349	64,172	116,349
Local Government (Note 18)	656,790	663,990	667,288
	723,139	728,162	783,637
<u>TRANSFERS FOR CAPITAL</u>			
Provincial Government	401,000	272,936	86,891
	401,000	272,936	86,891
TOTAL GOVERNMENT TRANSFERS	1,124,139	1,001,098	870,528

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, 2019

	2019 Budget (Unaudited) \$	2019 Actual \$	2018 Actual \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	561,034	458,631	452,657
Contracted and general services	532,172	434,822	393,001
Materials, goods, and utilities	274,621	168,237	193,459
Transfers to local boards and agencies	152,169	149,045	152,900
Bank charges and short-term interest	1,200	5,785	1,879
Interest on long-term debt	57,765	13,229	7,080
Amortization of tangible capital assets	-	337,898	365,024
TOTAL EXPENSES	1,578,961	1,567,647	1,566,000

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, 2019

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	2019 \$
REVENUE							
Net municipal taxes	494,395	-	-	-	-	-	494,395
Government transfers	272,936	-	-	-	99,102	501,040	873,078
User fees and sales of goods	2,522	-	6,785	-	33,156	256,027	298,490
Investment income	10,824	-	-	-	-	-	10,824
Other revenue	97,733	5,559	-	20	159,369	-	262,681
	878,410	5,559	6,785	20	291,627	757,067	1,939,468
EXPENSES							
Bank charges and interest	5,784	-	13,229	-	-	-	19,013
Contracted and general services	205,095	4,757	26,008	-	102,527	94,282	432,669
Materials, goods and utilities	20,225	3,357	42,973	-	28,775	85,370	180,700
Salaries, wages and benefits	158,014	15,775	79,901	317	76,394	113,155	443,556
Transfers to local boards and agencies	17,538	-	-	-	106,404	25,037	148,979
Balance, End of Year	406,656	23,889	162,111	317	314,100	317,844	1,224,917
NET REVENUE, BEFORE AMORTIZATION	471,754	(18,330)	(155,326)	(297)	(22,473)	439,223	714,551
Amortization	20,088	(266)	77,693	-	42,860	197,523	337,898
NET REVENUE	451,666	(18,064)	(233,019)	(297)	(65,333)	241,700	376,653

The accompanying notes form part of these financial statements

Village of Hines Creek
Notes to the Financial Statements
December 31, 2019

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.

I. 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 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, 2019

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, 2019

I. 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:

	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 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, taxes and grants in place of taxes, trade and other receivables and investments.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2019

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, , deposit liabilities, and long-term liabilities.

(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. CASH AND TEMPORARY INVESTMENTS

	2019	2018
	\$	\$
Bank account - operating	603,373	1,276,473
Bank account - sale of tax properties	52,971	11,913
Temporary investments	1,015,701	-
	1,672,045	1,288,386

Included in temporary investments is a restricted amount of \$198,019 (2018 - \$148,019) received from the Federal Gas Tax Fund held for approved projects.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2019

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2019	2018
	\$	\$
Current taxes and grants in place of taxes	205,749	74,175
Arrears taxes (recovery)	(3,939)	46,718
	201,810	120,893

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

5. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Trade and other receivables	62,224	62,261
GST receivable	12,470	72,013
Government receivable	292,829	100,000
	367,523	234,274

In coordination with Municipal Affairs, the prior year receivable based on the programs annual allocation is reflected in the current year financial statements and will be in subsequent years.

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$142,829 (2018 - \$0) and \$150,000 (2018 - \$100,000) Federal Gas Tax Fund.

6. INVESTMENTS

	2019	2018
	\$	\$
United Farmers of Alberta Co-operative Ltd.	2,546	3,744
Alberta Municipal Financing Corporation Shares - at cost	10	10
Alberta Association of Municipal Districts and Counties	85	85
	2,641	3,839

Village of Hines Creek
Notes to the Financial Statements
December 31, 2019

7. DEFERRED REVENUE

	2019	2018
	\$	\$
Federal Gas Tax Fund (FGTF)	348,019	248,019
Municipal Sustainability Initiative (MSI) - Capital	142,829	-
	490,848	248,019

In prior years the funding received from Federal Gas Tax Fund and Municipal Sustainability Initiative - Capital was recognized in the year the funds were received. In coordination with Municipal Affairs, the deferred revenue from prior years was calculated and reflected in the current year financial statements and will be in subsequent years.

Funding in the amount of \$50,000 was received in the current year from the Federal Gas Tax Fund for a total cash of \$198,019. The remaining balance of \$150,000 is a result of a receivable set up based on the fund allocation for 2018 and 2019 year.

The Municipal Sustainability Initiative (MSI) - Capital balance of \$142,829 is a result of a receivable set up based on the fund allocation for 2019 year.

8. LONG-TERM LIABILITIES

	2019	2018
	\$	\$
Debenture related to the paving project, payable at \$28,882 semi - annually including interest at 2.832%, matures June 15, 2028	433,663	478,198
Less: current portion	45,806	45,235
Long-term portion	387,857	432,963

Principal and interest payments are as follows:

	Principal	Interest	Total
	\$	\$	\$
2020	45,806	11,960	57,766
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
Thereafter	191,196	10,981	202,177
	433,663	57,337	491,000

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 \$13,229 (2018 - \$7,080).

Village of Hines Creek
Notes to the Financial Statements
December 31, 2019

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, 2019 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, 2019 - \$0 (2018 - \$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:

	2019	2018
	\$	\$
Total Debt Limit	2,523,446	2,587,416
Total Debt	433,663	478,198
Amount of debt limit unused	2,089,783	2,109,218
Debt Service Limit	420,574	431,236
Debt Service	-	-
Amount of debt service limit unused	420,574	431,236

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

	2019	2018
	\$	\$
Net Book Value		
Land	14,104	14,104
Land improvements	55,779	71,457
Buildings	660,006	697,762
Engineering structures	7,698,095	7,886,803
Machinery and equipment	201,224	207,144
Vehicles	69,892	33,425
	8,699,100	8,910,695

Village of Hines Creek
Notes to the Financial Statements
December 31, 2019

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
	\$	\$
Tangible capital assets (Schedule 2)	16,486,571	16,360,269
Accumulated amortization (Schedule 2)	(7,787,471)	(7,449,574)
Long-term debt (Note 8)	(433,663)	(478,198)
	8,265,437	8,432,497

13. ACCUMULATED SURPLUS

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

	2019	2018
	\$	\$
Unrestricted surplus	1,145,287	158,022
Restricted surplus		
Operating reserves		
Contingency fund	132,336	132,336
Doubtful accounts	22,040	22,040
Rate stabilization	240,000	240,000
Capital reserves		
Fire - Equipment	9,828	10,535
Fire - Mobile	96	2,008
General	77,000	77,000
Roads and Streets - Equipment	198	198
Roads and Streets - Signs	5,000	5,000
Recreation and Community Services	44,266	44,266
Sewer Project	36,475	36,475
Water Meters	-	264,000
Bulk Water Dispensing Project	22,000	22,000
Water Well Project	-	166,000
Equity in tangible capital assets	8,265,437	8,432,497
	9,999,963	9,612,377

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, 2019

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:

	2019			2018	
	Months	Salary (1) \$	Benefits & Allowances (2) \$	Total \$	Total \$
Mayor					
Hazel Reintjes	12	-	-	7,040	8,300
Deputy Mayor					
Camille Zavisha	12	-	-	9,570	10,300
Councilors					
Megan Bjornson	12	-	-	9,955	11,300
Chief Administrative Officer					
Leanne Walmsley	12	44,839	4,569	49,408	51,790

- (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
December 31, 2019

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

	2019	2018
	\$	\$
Unconditional grant	500,000	500,000
Recreation board	101,790	101,032
	601,790	601,032

The recreational board provided grants to the Village of Hines Creek during the year of \$50,000 (2018 - \$50,000) and the Hines Creek Fitness Centre \$12,200 (2018 - \$5,000).

19. SUBSEQUENT EVENT

Subsequent to year-end, there was 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.

20. BUDGET FIGURES

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

21. COMPARATIVE FIGURES

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

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

Village of Hines Creek
 Deferred Revenue for Federal Gas Tax Fund
 For the year ended December 31, 2019

	Deferred Revenue Balance	Set-up as a Receivable	Cash on hand at Yearend	Difference
Cash balance at Dec 31/18. Hardcoded the change in the financial statements to reflect the presentation requested by Municipal Affairs.	148,019.00	-	148,019.00	-
Hard coded accounts receivable at Dec 31/18 for 2017 (\$50,000) & 2018 (\$50,000) allocation not received in 2018 in financial statments.	100,000.00	100,000.00		-
Total deferred revenue at Dec 31/18	<u>248,019.00</u>	<u>100,000.00</u>	<u>148,019.00</u>	<u>-</u>
Balance at Dec 31/18	248,019.00	100,000.00	148,019.00	-
2017 allocation paid in 2019.		(50,000.00)	50,000.00	-
2019 allocation (\$100,000) was not received in 2019. A receivable has been set up Dec 31/19 by a journal entry.	100,000.00	100,000.00		-
Expenditures during the year				-
Total deferred revenue at Dec 31/19	<u>348,019.00</u>	<u>150,000.00</u>	<u>198,019.00</u>	<u>-</u>