

Village of Hines Creek

Financial Statements

December 31, 2022

Village of Hines Creek

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Village of Hines Creek

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the **Village of Hines Creek (the "Organization")** 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 Organization's financial position as at December 31, 2022 and the results of its operations for the year then ended.

The 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 financial statements.

The Organization 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 Organization Council has approved the financial statements.

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

Leanne Walmsley

Chief Administrative Officer

Edward Cheung, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
Jason Bondarevich, CPA, CA*
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council

Opinion

We have audited the financial statements of the **Village of Hines Creek (the "Organization")**, which comprise the statement of financial position as at December 31, 2022, 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 Organization as at December 31, 2022, 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

Auditor's Responsibility for the Audit of the Financial Statements - 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.

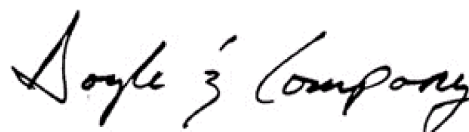
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

March 14, 2023
11210 - 107 Avenue NW
Edmonton, Alberta T5H 0Y1



Chartered Professional Accountants

Village of Hines Creek
Statement of Financial Position
As at December 31, 2022

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 3)	2,352,813	2,336,207
Receivables		
Taxes and grants in place of taxes (Note 4)	133,476	130,002
Trade and other receivables (Note 4)	482,085	507,953
Land for resale inventory	26,060	28,260
Investments (Note 5)	33,343	33,570
	3,027,777	3,035,992
LIABILITIES		
Accounts payable and accrued liabilities	67,034	81,032
Deposit liabilities	-	10,497
Deferred revenue (Note 6)	320,056	478,251
Employee benefits obligation (Note 7)	4,041	7,875
Long-term debt (Note 8)	292,290	340,746
	683,421	918,401
NET FINANCIAL ASSETS	2,344,356	2,117,591
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	8,563,757	8,597,901
ACCUMULATED OPERATING SURPLUS (Schedule 1, Note 13)	10,908,113	10,715,492

Contingencies - Note 17

Village of Hines Creek
Statement of Operations
For the year ended December 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
REVENUE			
Net municipal taxes (Schedule 3)	429,178	446,307	426,644
User fees and sales of goods	354,510	346,857	302,133
Government transfers for operating (Schedule 4)	808,060	708,740	645,182
Investment income	20,000	56,712	17,883
Penalties and costs of taxes	32,600	26,659	29,348
Total Revenue	1,644,348	1,585,275	1,421,190
EXPENSES			
General government			
Administration	380,767	312,953	279,927
Legislative	50,300	39,388	30,029
Protective services			
Ambulance and emergency measures	-	17,469	-
Bylaws enforcement	53,158	46,128	40,776
Transportation services			
Roads, streets, walks, lighting	256,650	300,074	241,198
Planning and development			
Land use planning, zoning and development	29,680	28,735	28,840
Recreation and culture			
Culture	30,590	29,516	21,844
Parks and recreation	440,584	416,336	304,007
Environmental services			
Water supply and distribution	217,730	413,540	346,260
Wastewater treatment and disposal	64,134	32,740	49,584
Waste management	42,755	43,755	41,551
Total Expenses	1,566,348	1,680,634	1,384,016
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	78,000	(95,359)	37,174
OTHER			
Gain on disposal of tangible capital assets	-	-	4,973
Government transfers for capital (Schedule 4)	-	287,980	505,483
EXCESS OF REVENUE OVER EXPENSES	78,000	192,621	547,630
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		10,715,492	10,167,862
ACCUMULATED OPERATING SURPLUS, END OF YEAR		10,908,113	10,715,492

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, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
EXCESS OF REVENUES OVER EXPENSES	78,000	192,621	552,603
Acquisition of tangible capital assets	(78,000)	(331,574)	(536,071)
Amortization of tangible capital assets	-	365,718	351,214
(Gain) Loss on disposal of tangible capital assets	-	-	(4,973)
	(78,000)	34,144	(189,830)
INCREASE (DECREASE) IN NET ASSETS	-	226,765	362,773
NET FINANCIAL ASSETS, BEGINNING OF YEAR	-	2,117,591	1,754,818
NET FINANCIAL ASSETS, END OF YEAR	-	2,344,356	2,117,591

The accompanying notes form part of these financial statements

Village of Hines Creek
Statement of Cash Flows
For the year ended December 31, 2022

	2022	2021
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	192,621	552,603
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	365,718	351,214
(Gain) loss on disposal of tangible capital assets	-	(4,973)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(3,474)	(884)
Decrease (increase) in trade and other receivables	25,868	46,537
Decrease (increase) in land held for resale	2,200	17,765
Increase (decrease) in accounts payable and accrued liabilities	(13,998)	4,061
Increase (decrease) in deposit liabilities	(10,497)	1,274
Increase (decrease) in deferred revenue	(158,195)	(226,611)
Increase (decrease) in employee benefit obligations	(3,834)	(670)
Cash provided by operating transactions	396,409	740,316
CAPITAL		
Acquisition of tangible capital assets	(331,574)	(536,071)
Cash applied to capital transactions	(331,574)	(536,071)
INVESTING		
Decrease (increase) investments	227	(929)
Cash provided by investing	227	(929)
FINANCING		
Long-term debt repaid	(48,456)	(47,111)
Cash provided by (applied to) financing transactions	(48,456)	(47,111)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	16,606	156,205
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	2,336,207	2,180,002
CASH AND CASH EQUIVALENTS, END OF YEAR	2,352,813	2,336,207

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, 2022

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
	\$	\$	\$	\$	\$
Balance, Beginning of Year	1,185,351	1,272,986	8,257,155	10,715,492	10,167,862
Excess of revenue over expenses	192,621	-	-	192,621	547,630
Unrestricted funds designated for future use	(10,000)	10,000	-	-	-
Restricted funds used for operations	25,210	(25,210)	-	-	-
Restricted funds used for tangible capital assets	-	(51,901)	51,901	-	-
Current year funds used for tangible capital assets	(279,673)	-	279,673	-	-
Annual amortization expenses	365,718	-	(365,718)	-	-
Long-term debt repaid	(48,456)	-	48,456	-	-
Change in accumulated surplus	245,420	(67,111)	14,312	192,621	547,630
Balance, End of Year	1,430,771	1,205,875	8,271,467	10,908,113	10,715,492

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, 2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022 \$	2021 \$
COST:								
Balance, Beginning of Year	14,104	439,334	1,804,543	13,715,328	918,305	112,745	17,004,359	16,535,328
Acquisition of tangible capital assets	-	-	-	141,126	190,448	-	331,574	536,071
Disposal of tangible capital assets	-	-	-	-	-	-	-	(67,040)
Balance, End of Year	14,104	439,334	1,804,543	13,856,454	1,108,753	112,745	17,335,933	17,004,359
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	373,006	1,219,928	6,038,225	730,252	45,047	8,406,458	8,122,284
Annual amortization	-	11,119	41,951	265,390	37,661	9,597	365,718	351,214
Accumulated amortization on disposals	-	-	-	-	-	-	-	(67,040)
Balance, End of Year	-	384,125	1,261,879	6,303,615	767,913	54,644	8,772,176	8,406,458
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	14,104	55,209	542,664	7,552,839	340,840	58,101	8,563,757	8,597,901
 2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	 14,104	 66,328	 584,615	 7,677,103	 188,053	 67,698		 8,597,901

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, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
TAXATION			
Real property taxes	425,213	432,420	426,359
Designated Industrial property tax	63	62	62
Government grants in place of property taxes	64,000	73,917	61,412
	489,276	506,399	487,833
REQUISITIONS			
Alberta School Foundation Fund	50,864	50,280	51,955
Seniors Foundation	9,234	9,812	9,234
	60,098	60,092	61,189
NET MUNICIPAL TAXES	429,178	446,307	426,644

Village of Hines Creek
Schedule of Government Transfers - Schedule 4
For the year ended December 31, 2022

	2022 Budget (Unaudited) \$	2022 Actual \$	2021 Actual \$
<u>TRANSFERS FOR OPERATING</u>			
Provincial Government	98,392	63,392	63,392
Local Government (Note 18)	709,668	645,348	581,790
	808,060	708,740	645,182
<u>TRANSFERS FOR CAPITAL</u>			
Provincial Government	-	287,980	505,483
TOTAL GOVERNMENT TRANSFERS	808,060	996,720	1,150,665

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, 2022

	2022 Budget (Unaudited)	2022 Actual	2021 Actual
	\$	\$	\$
EXPENSES BY OBJECT			
Salaries, wages and benefits	492,180	453,402	401,552
Contracted and general services	530,227	443,345	325,304
Materials, goods, and utilities	217,350	215,100	168,759
Provision for allowance	80,000	-	-
Transfers to local boards and agencies	186,471	192,169	124,984
Bank charges and short-term interest	2,350	1,591	1,550
Interest on long-term debt	57,770	9,309	10,653
Amortization of tangible capital assets	-	365,718	351,214
TOTAL EXPENSES	1,566,348	1,680,634	1,384,016

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, 2022

	General Government \$	Protective Services \$	Transportation Services \$	Planning & Development \$	Recreation & Culture \$	Environmental Services \$	2022 \$
REVENUE							
Net municipal taxes	446,307	-	-	-	-	-	446,307
Operating government transfers	14,030	-	-	-	220,029	474,681	708,740
User fees and sales of goods	4,222	2,846	9,709	4,520	91,750	233,810	346,857
Investment income	56,712	-	-	-	-	-	56,712
Penalties and costs of taxes	23,369	3,290	-	-	-	-	26,659
	544,640	6,136	9,709	4,520	311,779	708,491	1,585,275
EXPENSES							
Bank charges and interest	1,591	-	-	-	-	-	1,591
Interest on long-term debt	-	-	9,309	-	-	-	9,309
Contracted and general services	121,234	12,797	75,106	3,591	133,058	97,559	443,345
Materials, goods and utilities	15,548	5,501	53,257	-	33,456	107,338	215,100
Salaries, wages and benefits	190,427	26,130	69,072	7,606	96,467	63,700	453,402
Transfers to local boards and agencies	-	17,469	-	17,538	139,300	17,862	192,169
Balance, End of Year	328,800	61,897	206,744	28,735	402,281	286,459	1,314,916
NET REVENUE, BEFORE AMORTIZATION AND OTHER							
	215,840	(55,761)	(197,035)	(24,215)	(90,502)	422,032	270,359
Gain on disposal of tangible capital assets	-	-	-	-	-	-	-
Capital government transfers	40,347	-	189,496	-	22,637	35,500	287,980
Amortization	(23,541)	(1,700)	(93,330)	-	(43,571)	(203,576)	(365,718)
NET REVENUE	232,646	(57,461)	(100,869)	(24,215)	(111,436)	253,956	192,621

The accompanying notes form part of these financial statements

Village of Hines Creek

Notes to the Financial Statements

December 31, 2022

DESCRIPTION OF OPERATIONS

The Village of Hines Creek is a local government authority providing municipal services. The Village of Hines Creek 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) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(d) Valuation of Financial Assets and Liabilities

The village's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash and temporary investments	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long-term liabilities	Amortized cost

Village of Hines Creek
Notes to the Financial Statements
December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Cash and Temporary Investments

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

(f) Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations.

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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

Village of Hines Creek
Notes to the Financial Statements
December 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(l) 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.

(m) 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.

(n) 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, 2022

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

	2022	2021
	\$	\$
Bank account - operating	495,163	226,648
Bank account - sale of tax properties	72,919	71,308
Temporary investments	1,784,731	2,038,251
	2,352,813	2,336,207

Included in temporary investments is a restricted amount of \$9,074 (2021 - \$54,000) received from the Federal Gas Tax Fund held for approved projects.

Council has designated funds of \$1,195,875 (2021 - \$1,272,986) 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 4.55%.

Temporary investments are deposits in a notice on amount 31-90 days with interest at 4.85%-4.95%

4. RECEIVABLES

	2022	2021
	\$	\$
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	36,062	50,488
Arrears taxes	97,414	79,514
	133,476	130,002

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
December 31, 2022

4. RECEIVABLES - Continued

ii) Trade and other receivables

Goods and services tax receivable	26,688	31,749
Government receivable	401,408	442,886
Trade and other receivables	53,989	33,318
	482,085	507,953

The Government receivable is comprised of Municipal Sustainability Initiative - Capital \$251,408 (2021 - \$342,886) and \$150,000 (2021 - \$100,000) Federal Gas Tax Fund.

5. INVESTMENTS

	2022	2021
	\$	\$
ATB - Guaranteed Investment Certificate (GIC) - at cost	30,987	30,987
United Farmers of Alberta Co-operative Ltd. - at cost	2,261	2,488
Alberta Municipal Financing Corporation Shares - at cost	10	10
Alberta Association of Municipal Districts and Counties - at cost	85	85
	33,343	33,570

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

	2022	2021
	\$	\$
Canada Community Building Fund (Federal Gas Tax Fund)	163,074	154,000
Municipal Sustainability Initiative (MSI) - Capital	156,982	324,251
	320,056	478,251

Municipal Sustainability Initiative (MSI)

Funding in the amount of \$121,898 was received in the current year from the Municipal Sustainability Initiative. Of the \$121,898 received, \$72,536 was 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.

Unexpensed funds related to these advances are supported by cash and temporary investments held exclusively for these projects. (refer to Note 3)

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

	2022	2021
	\$	\$
Vacation and overtime	4,041	7,875

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

	2022	2021
	\$	\$
Alberta Capital Finance Authority - 4002400	292,290	340,746
Less: Current portion	(49,837)	(48,454)
Long-term portion	242,453	292,292

The current portion of long-term debt amounts to \$49,837 (2021 - \$48,454).

Principal and interest payments are as follows:

	Principal	Interest	Total
	\$	\$	\$
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
2027	55,771	1,994	57,765
Thereafter	28,478	403	28,881
	292,290	25,415	317,705

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 \$8,613 (2021 - \$10,653).

Village of Hines Creek
Notes to the Financial Statements
December 31, 2022

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, 2022 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 plus 1% 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, 2022 - \$0 (2021 - \$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:

	2022	2021
	\$	\$
Total Debt Limit	2,377,913	2,131,785
Total Debt	292,290	340,746
Amount of debt limit unused	2,085,623	1,791,039
Debt Service Limit	396,319	355,298
Debt Service	57,764	57,764
Amount of debt service limit unused	338,555	297,534

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.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principle and interest payments due on long-term debt in the 12 months subsequent to year-end less amounts that are recoverable.

11. TANGIBLE CAPITAL ASSETS

	2022	2021
	\$	\$
Net Book Value		
Land	14,104	14,104
Land improvements	55,209	66,328
Buildings	542,664	584,615
Engineering structures	7,552,839	7,677,103
Machinery and equipment	340,840	188,053
Vehicles	58,101	67,698
	8,563,757	8,597,901

Village of Hines Creek
Notes to the Financial Statements
December 31, 2022

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
	\$	\$
Tangible capital assets (Schedule 2)	17,335,933	17,004,359
Accumulated amortization (Schedule 2)	(8,772,176)	(8,406,458)
Long-term debt (Note 8)	(292,290)	(340,746)
	8,271,467	8,257,155

13. ACCUMULATED OPERATING SURPLUS

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

	2022	2021
	\$	\$
Unrestricted surplus	1,430,771	1,185,351
Internally restricted surplus		
Operating reserves		
Contingency fund	204,320	204,320
Doubtful accounts	112,040	112,040
Rate stabilization	240,000	240,000
Capital reserves		
Arena	120,000	120,000
Drainage	20,000	10,000
Fire - Equipment	310	310
General Administration	47,873	77,000
Property Clean-up	100,000	100,000
Roads and Streets - Equipment	115,598	136,813
Recreation and Community Services	20,270	44,266
Sewer Project	63,475	63,475
Street Light Project	53,989	56,762
Water Treatment Plant	108,000	108,000
Equity in Tangible Capital Assets (Note 12)	8,271,467	8,257,155
	10,908,113	10,715,492

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, 2022

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:

	2022			2021	
	Months	Salary (1) \$	Benefits & Allowances (2) \$	Total \$	Total \$
Mayor					
Hazel Reintjes	12	10,560	1,087	11,647	7,042
Deputy Mayor					
Camille Zavisha	-	-	-	-	7,977
Alison Bjornson	12	12,375	1,200	13,575	2,564
Councillors					
Len Rimmer	12	11,825	1,307	13,132	2,166
Megan Bjornson	-	-	-	-	5,855
Chief Administrative Officer					
Leanne Walmsley	12	66,170	8,405	74,575	70,219

- (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

	2022	2021
	\$	\$
Unconditional grant	450,000	510,420
Recreation board	130,348	96,790
	580,348	607,210

The recreational board provided grants to the Village of Hines Creek during the year of \$55,000 (2021 - \$50,000) and the Hines Creek Fitness Centre \$10,000 (2021 - \$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. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.