

VILLAGE OF HAY LAKES
NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

VILLAGE OF HAY LAKES
NON-CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2019

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MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Village of Hay Lakes 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 non-consolidated financial statements present fairly the village's non-consolidated financial position as at December 31, 2019 and the results of its non-consolidated operations for the year then ended.

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

The non-consolidated financial statements include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the non-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 requirements 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 non-consolidated financial statements.

The Village Council carries out its responsibilities for review of the non-consolidated financial statements principally through council meetings. They meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

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

The non-consolidated financial statements have been audited by Gitzel & Company, Chartered Professional Accountants, independent external auditors appointed by the village. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the village's non-consolidated financial statements.



Chief Administrative Officer



Date

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council
Village of Hay Lakes

Qualified Opinion

We have audited the non-consolidated financial statements of Village of Hay Lakes, which comprise the non-consolidated statement of financial position as at December 31, 2019 and the non-consolidated statements of operations, changes in net financial assets (debt) and non-consolidated cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Bases for Qualified Opinion section of our report, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the village as at December 31, 2019, the results of its non-consolidated operations, changes in its net financial assets (debt) and non-consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Management has not consolidated the results of the Hay Lakes Library Board in the accompanying non-consolidated financial statements, which constitutes a departure from Canadian generally accepted accounting principles. If these statements were consolidated, it would result in material increases to revenues, expenses, and net financial assets. As such, the accompanying financial statements have been issued as non-consolidated.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the non-consolidated Financial Statements* section of our report. We are independent of the village in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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.

Emphasis of Matter

A significant area requiring the use of management's estimates was the provision for amortization of tangible capital assets. Significant changes in the useful lives of assets could result in changes in asset and expense amounts.

Other Matter

The non-consolidated financial statements of the Village for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on May 30, 2019.

Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the ability of the village to continue as a going concern, disclosing, as applicable, matters related 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 village's financial reporting process.

Auditors' Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 non-consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 purposes of expressing an opinion on the effectiveness of the village'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 village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-consolidated 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 the auditors' report. However, future events or conditions may cause the village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

Stettler, Alberta

October 19, 2020

Gitzel & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF HAY LAKES

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

| | 2019 | Restated 2018 |
|--|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash and short term investments (Note 3) | \$ 126,915 | \$ 237,096 |
| Taxes and grants in place of taxes receivable (Note 4) | 66,305 | 43,692 |
| Trade and other receivables | 66,708 | 53,901 |
| Receivable from other governments | 408,482 | 260,494 |
| Land held for resale | 472,244 | 397,244 |
| Local improvement levies receivable | 385,521 | 404,247 |
| Long-term investments (Note 5) | <u>439,281</u> | <u>439,281</u> |
| | <u>1,965,456</u> | <u>1,835,955</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 109,922 | 41,874 |
| Payable to other governments | 7,542 | 8,453 |
| Deposits held | 1,000 | 1,000 |
| Deferred revenue (Note 6) | 313,062 | 184,602 |
| Long-term debt (Note 7) | <u>820,350</u> | <u>928,691</u> |
| | <u>1,251,876</u> | <u>1,164,620</u> |
| NET FINANCIAL ASSETS (DEBT) | <u>713,580</u> | <u>671,335</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Schedule 2) | 4,565,310 | 4,598,575 |
| Prepaid expenses | <u>363</u> | <u>24,516</u> |
| | <u>4,565,673</u> | <u>4,623,091</u> |
| ACCUMULATED SURPLUS (Schedule 1, Note 10) | \$ <u>5,279,253</u> | \$ <u>5,294,426</u> |
| Contingencies Note 16 | | |

APPROVED ON BEHALF OF THE VILLAGE COUNCIL:

Mayor

VILLAGE OF HAY LAKES

NON-CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget (Unaudited) | 2019 | Restated 2018 |
|---|---------------------------|----------------------------|----------------------------|
| REVENUES | | | |
| Net taxes (Schedule 3) | \$ 381,066 | \$ 354,244 | \$ 352,452 |
| Government transfers (Schedule 4) | 283,733 | 52,550 | 46,313 |
| Sales of goods and user fees | 170,872 | 260,940 | 275,426 |
| Franchise and concession contracts | 23,500 | 23,174 | 22,924 |
| Investment income | 250 | 14,665 | 14,038 |
| Penalties and costs of taxes | 9,920 | 18,409 | 13,045 |
| Rentals | 26,051 | 25,493 | 26,051 |
| Other | <u>3,550</u> | <u>4,265</u> | <u>18,141</u> |
| Total Revenue | <u>898,942</u> | <u>753,740</u> | <u>768,390</u> |
| EXPENSES (Schedule 5) | | | |
| Legislative | 43,489 | 47,924 | 36,697 |
| Administration | 165,485 | 206,860 | 191,187 |
| Protective services | 72,993 | 63,580 | 49,445 |
| Transportation services | 305,684 | 364,415 | 324,868 |
| Water supply and distribution | 151,083 | 164,242 | 158,640 |
| Wastewater treatment and disposal | 66,925 | 39,568 | 52,157 |
| Waste management | 53,900 | 64,732 | 77,831 |
| Public health and welfare | 2,867 | 3,257 | 3,013 |
| Planning and development | 5,556 | 2,001 | 28,197 |
| Parks and recreation | 58,995 | 71,453 | 50,790 |
| Library and culture (Note 13) | <u>12,309</u> | <u>12,499</u> | <u>12,203</u> |
| Total Expenses | <u>939,286</u> | <u>1,040,531</u> | <u>985,028</u> |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER | \$ <u>(40,344)</u> | (286,791) | (216,638) |
| OTHER | | | |
| Donated assets | | 130,600 | - |
| Donation for capital | | 6,000 | - |
| Government transfers for capital (Schedule 4) | | <u>135,018</u> | <u>95,044</u> |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES | | (15,173) | (121,594) |
| ACCUMULATED SURPLUS – BEGINNING OF YEAR | | <u>5,294,426</u> | <u>5,416,020</u> |
| ACCUMULATED SURPLUS – END OF YEAR | | \$ <u>5,279,253</u> | \$ <u>5,294,426</u> |

VILLAGE OF HAY LAKES

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | Restated 2018 |
|---|--------------------------|--------------------------|
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES | \$ <u>(15,173)</u> | \$ <u>(121,594)</u> |
| Acquisition of tangible capital assets | (194,739) | (74,045) |
| Disposals of tangible capital assets | 957 | 2,550 |
| Amortization of tangible capital assets | <u>227,047</u> | <u>225,137</u> |
| | <u>33,265</u> | <u>153,642</u> |
| Acquisition of prepaid assets | (363) | (24,516) |
| Use of prepaid assets | <u>24,516</u> | <u>-</u> |
| | <u>24,153</u> | <u>(24,516)</u> |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT) | 42,245 | 7,532 |
| NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR | <u>671,335</u> | <u>663,803</u> |
| NET FINANCIAL ASSETS (DEBT) - END OF YEAR | \$ <u><u>713,580</u></u> | \$ <u><u>671,335</u></u> |

VILLAGE OF HAY LAKES

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | Restated 2018 |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Excess (shortfall) of revenues over expenses | \$ (15,173) | \$ (121,594) |
| Non-cash items included in excess (shortfall) of revenues over expenses: | | |
| Amortization of tangible capital assets | 227,047 | 225,137 |
| Loss (gain) on disposal of tangible capital assets | 657 | (450) |
| Non-cash changes to operations (net change): | | |
| Taxes and grants in place of taxes receivables | (22,613) | (3,184) |
| Trade and other receivables | (12,807) | (7,852) |
| Receivable from other governments | (147,988) | 25,442 |
| Local improvement levies receivable | 18,726 | 18,821 |
| Land held for resale | (75,000) | 20,654 |
| Accounts payable and accrued liabilities | 67,137 | (2,969) |
| Deferred revenue | 128,460 | 184,608 |
| Deposits held | - | (1,000) |
| Prepaid expenses | 24,153 | (24,516) |
| Net cash provided by (used in) operating activities | <u>192,599</u> | <u>313,097</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (194,739) | (74,045) |
| Proceeds on sale of tangible capital assets | 300 | 3,000 |
| Net cash provided by (used in) capital activities | <u>(194,439)</u> | <u>(71,045)</u> |
| INVESTING ACTIVITIES | | |
| Acquisition of long term investments | - | (77,531) |
| Net cash provided by (used in) investing activities | <u>-</u> | <u>(77,531)</u> |
| FINANCING ACTIVITIES | | |
| Due to Alberta Capital Finance Authority repaid | (89,458) | (88,164) |
| Due to Capital Region Southwest Water Services Commission advanced | - | 77,531 |
| Due to Capital Region Southwest Water Services Commission repaid | (18,883) | (14,827) |
| Net cash provided by (used in) financing activities | <u>(108,341)</u> | <u>(25,460)</u> |
| CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR | (110,181) | 139,061 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>237,096</u> | <u>98,035</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR (Note 3) | \$ <u>126,915</u> | \$ <u>237,096</u> |

VILLAGE OF HAY LAKES

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Unrestricted Surplus | Restricted Equity in Tangible Surplus | Capital Assets | 2019 | Restated 2018 |
|---|-------------------------|--|----------------|--------------|------------------|
| BALANCE - BEGINNING OF YEAR | \$ 1,001,038 | \$ 274,111 | \$ 4,019,277 | \$ 5,294,426 | \$ 5,416,020 |
| Excess (deficiency) of revenues over expenses | (15,173) | - | - | (15,173) | (121,594) |
| Funds designated for future use | - | - | - | - | - |
| Capital long-term debt repaid | (89,458) | - | 89,458 | - | - |
| Current year funds used for tangible capital assets | (64,139) | - | 64,139 | - | - |
| Donations of tangible capital assets | (130,600) | - | 130,600 | - | - |
| Disposal of tangible capital assets | 957 | - | (957) | - | - |
| Annual amortization expense | 227,047 | - | (227,047) | - | - |
| Change in accumulated surplus | (71,366) | - | 56,193 | (133,418) | (121,594) |
| BALANCE - END OF YEAR | \$ 929,672 | \$ 274,111 | \$ 4,075,470 | \$ 5,279,253 | \$ 5,294,426 |

VILLAGE OF HAY LAKES

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery and Equipment | Vehicles | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|-----------------------|-------------------------|------------------|------------------|------------------|
| COST: | | | | | | | | |
| BALANCE - BEGINNING OF YEAR | \$ 329,467 | \$ 171,424 | \$ 407,421 | \$ 5,862,183 | \$ 822,902 | \$ 76,500 | \$ 7,669,897 | \$ 7,612,852 |
| Acquisition of tangible capital assets | 130,600 | 6,200 | 7,100 | 26,323 | 24,516 | - | 194,739 | 74,045 |
| Disposal of tangible capital assets | - | - | - | - | (9,575) | (8,423) | (17,998) | (17,000) |
| BALANCE - END OF YEAR | <u>460,067</u> | <u>177,624</u> | <u>414,521</u> | <u>5,888,506</u> | <u>837,843</u> | <u>68,077</u> | <u>7,846,638</u> | <u>7,669,897</u> |
| ACCUMULATED AMORTIZATION: | | | | | | | | |
| BALANCE - BEGINNING OF YEAR | - | 166,762 | 295,076 | 2,047,363 | 518,413 | 43,708 | 3,071,322 | 2,860,635 |
| Annual amortization | - | 1,047 | 7,604 | 177,308 | 33,036 | 8,052 | 227,047 | 225,137 |
| Disposal of tangible capital assets | - | - | - | - | (8,618) | (8,423) | (17,041) | (14,450) |
| BALANCE - END OF YEAR | - | <u>167,809</u> | <u>302,680</u> | <u>2,224,671</u> | <u>542,831</u> | <u>43,337</u> | <u>3,281,328</u> | <u>3,071,322</u> |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>460,067</u> | <u>9,815</u> | <u>111,841</u> | <u>3,663,835</u> | <u>295,012</u> | <u>24,740</u> | <u>4,565,310</u> | <u>4,598,575</u> |
| 2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | <u>\$ 329,467</u> | <u>\$ 4,622</u> | <u>\$ 112,345</u> | <u>\$ 3,814,820</u> | <u>\$ 304,489</u> | <u>\$ 32,792</u> | | |

VILLAGE OF HAY LAKES

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget (Unaudited) | 2019 | 2018 |
|--------------------------------|-----------------------|-------------------|-------------------|
| TAXATION | | | |
| Real property taxes | \$ 496,920 | \$ 477,087 | \$ 465,891 |
| Linear property taxes | <u>5,677</u> | <u>565</u> | <u>5,812</u> |
| | <u>502,597</u> | <u>477,652</u> | <u>471,703</u> |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 121,531 | 123,408 | 119,231 |
| Designated Industrial Property | <u>-</u> | <u>-</u> | <u>20</u> |
| | <u>121,531</u> | <u>123,408</u> | <u>119,251</u> |
| NET MUNICIPAL TAXES | \$ <u>381,066</u> | \$ <u>354,244</u> | \$ <u>352,452</u> |

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget (Unaudited) | 2019 | Restated 2018 |
|-----------------------------------|-----------------------|-------------------|-------------------|
| TRANSFER FOR OPERATING: | | | |
| Provincial government | \$ 194,213 | \$ 42,650 | \$ 44,025 |
| Federal government | 29,520 | - | - |
| Local government | <u>10,000</u> | <u>9,900</u> | <u>2,288</u> |
| | <u>233,733</u> | <u>52,550</u> | <u>46,313</u> |
| TRANSFERS FOR CAPITAL | | | |
| Provincial government | - | 35,018 | 45,044 |
| Federal government | <u>50,000</u> | <u>100,000</u> | <u>50,000</u> |
| | <u>50,000</u> | <u>135,018</u> | <u>95,044</u> |
| TOTAL GOVERNMENT TRANSFERS | \$ <u>283,733</u> | \$ <u>187,568</u> | \$ <u>141,357</u> |

VILLAGE OF HAY LAKES

SCHEDULE 5 – NON-CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2019

| | Budget (Unaudited) | 2019 | Restated 2018 |
|--|--------------------------|----------------------------|--------------------------|
| EXPENSES BY OBJECT | | | |
| Salaries, wages, and benefits | \$ 303,450 | \$ 296,399 | \$ 335,255 |
| Contracted and general services | 208,268 | 266,616 | 188,478 |
| Purchases from other governments | 56,000 | 63,708 | 54,533 |
| Materials, goods, supplies and utilities | 190,506 | 129,139 | 126,340 |
| Transfers to other governments | 6,500 | 6,831 | 6,429 |
| Transfers to local agencies (Note 13) | 21,410 | 21,394 | 18,380 |
| Bank charges and short-term interest | 1,800 | 1,930 | 1,795 |
| Bad debts | 500 | 139 | 476 |
| Interest on long term debt | 150,852 | 27,328 | 28,206 |
| Amortization of tangible capital assets | <u>-</u> | <u>227,047</u> | <u>225,137</u> |
| TOTAL EXPENDITURES | \$ <u>939,286</u> | \$ <u>1,040,531</u> | \$ <u>985,029</u> |

VILLAGE OF HAY LAKES

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2019

| | General Government | Protective Services | Transportation Services | Planning & Development | Recreation & Culture | Environmental Services | FCSS | Total |
|---|-----------------------|------------------------|----------------------------|---------------------------|-------------------------|---------------------------|-------------------|---------------------|
| REVENUE | | | | | | | | |
| Net municipal taxes | \$ 354,244 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 354,244 |
| Government transfers | 77,668 | 9,900 | - | - | - | - | - | 87,568 |
| User fees and sales of goods | 1,200 | 20,990 | - | 28,728 | 450 | 209,572 | - | 260,940 |
| Franchise and concessions | 23,174 | - | - | - | - | - | - | 23,174 |
| Penalties and costs of taxes | 15,102 | - | - | - | - | 3,307 | - | 18,409 |
| Rentals | - | - | - | - | 25,493 | - | - | 25,493 |
| Other revenues | 15,446 | 2,502 | - | 737 | 245 | - | - | 18,930 |
| | <u>486,834</u> | <u>33,392</u> | <u>-</u> | <u>29,465</u> | <u>26,188</u> | <u>212,879</u> | <u>-</u> | <u>788,758</u> |
| EXPENSES | | | | | | | | |
| Salaries and wages | 128,941 | 11,365 | 103,781 | - | 21,302 | 31,010 | - | 296,399 |
| Contract and general services | 104,565 | 12,269 | 34,640 | 1,556 | 28,437 | 81,892 | 3,257 | 266,616 |
| Materials, goods, supplies and utilities | 16,068 | 29,128 | 53,612 | 445 | 6,198 | 87,396 | - | 192,847 |
| Transfer to other agencies | - | 6,831 | - | - | 21,394 | - | - | 28,225 |
| Other expenses | 2,009 | - | 12,782 | - | 60 | 14,546 | - | 29,397 |
| | <u>251,583</u> | <u>59,593</u> | <u>204,815</u> | <u>2,001</u> | <u>77,391</u> | <u>214,844</u> | <u>3,257</u> | <u>813,484</u> |
| NET REVENUE, BEFORE AMORTIZATION | <u>235,251</u> | <u>(26,201)</u> | <u>(204,815)</u> | <u>27,464</u> | <u>(51,203)</u> | <u>(1,965)</u> | <u>(3,257)</u> | <u>(24,726)</u> |
| Amortization expense | 3,149 | 4,038 | 159,600 | - | 6,561 | 53,699 | - | 227,047 |
| NET REVENUE | <u>\$ 232,102</u> | <u>\$ (30,239)</u> | <u>\$ (364,415)</u> | <u>\$ 27,464</u> | <u>\$ (57,764)</u> | <u>\$ (55,664)</u> | <u>\$ (3,257)</u> | <u>\$ (251,773)</u> |

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Village are as follows:

(a) Reporting Entity

The non-consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operating 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 basis of accounting followed in the non-consolidated financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due.

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 capital assets are acquired.

(c) Use of Estimates

The preparation of non-consolidated financial statements in conformity with Canadian generally accepted accounting principles 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 non-consolidated financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the non-consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Use of Estimates - Continued

Amortization is based on the estimated useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(d) 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.

(e) 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 a site is not in productive use and is management's estimate of the cost of post – remediation including operation, maintenance and monitoring.

(f) 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, nor the result of a direct financial return. Government transfers are recognized in the non-consolidated financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be determined.

(g) Interest on Long-Term Debt

Interest on long-term debt is recorded as an expenditure as payment is made and is accrued for as long-term debt interest payable at the end of the year.

(h) Taxes and Grants in Place of Taxes Receivable

Current and arrears taxes and grants in place of taxes receivable consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(i) 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 HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(k) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

(l) Cash and Cash Equivalent

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term investments.

(m) Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual 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.

(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 Change in Net Financial Assets (Debt) for the year.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets - Continued

(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 | 10 - 25 |
| Buildings | 50 |
| Engineered structures | |
| Water system | 45 - 75 |
| Wastewater system | 25 - 75 |
| Road system | 15 - 40 |
| Machinery and equipment | 3 - 40 |
| Vehicles | 7 - 25 |

The annual amortization charge in the year of acquisition and in the year of disposal is pro-rated based on the number of days that the asset was owned during the year. 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 a capital lease. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

2. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. Management is currently evaluating the effect of adopting these standards on the financial statements.

(a) Section PS 1201 - Financial Statement Presentation

This section provides guidance on general reporting principles and disclosure of information in financial statements. Effective April 1, 2022.

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED - Continued

(b) Section PS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency. Effective April 1, 2022.

(c) Section PS 3041 - Portfolio Investments

This section establishes standards on how to account for and report portfolio investments in government financial statements. Effective April 1, 2022.

(d) Section PS 3450 – Financial Instruments

This section establishes guidance on the recognition, measurement and disclosure requirements for financial instruments. Effective April 1, 2022.

(e) Section PS 3280 – Asset Retirement Obligations

This section establishes standards on how to account for a liability for retirement of a tangible capital asset and will apply in years beginning on or after April 1, 2022.

(f) Section PS 3400 – Revenue

This new section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. Effective April 1, 2023.

3. CASH AND SHORT TERM INVESTMENTS

| | 2019 | 2018 |
|------|-------------------|-------------------|
| Cash | \$ <u>126,915</u> | \$ <u>237,096</u> |

Council has designated funds of \$274,111 (2018 - \$274,111) to restricted surplus, funded by cash and government grants receivable.

Included in cash and short term investments is a balance of \$1,000 (2018 - \$1,000) related to a trust liability which the Village administers (Note 6).

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

| | 2019 | 2018 |
|--|------------------|------------------|
| Current taxes and grants in place of taxes | \$ 34,926 | \$ 23,635 |
| Arrears taxes | <u>31,379</u> | <u>20,057</u> |
| | \$ <u>66,305</u> | \$ <u>43,692</u> |

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

5. LONG-TERM INVESTMENTS

| | 2019 | Restated 2018 |
|--|-------------------|-------------------|
| Capital Region Southwest Water Services Commission | \$ <u>439,281</u> | \$ <u>439,281</u> |

6. DEFERRED REVENUE

| | 2019 | Restated 2018 |
|---|-------------------|-------------------|
| Municipal sustainability initiative grant – capital | \$ <u>313,062</u> | \$ <u>184,602</u> |

The use of these funds is restricted to eligible capital projects, as approved under the funding agreements. Unexpended funds related to these advances are supported by government receivables of \$392,766.

7. LONG-TERM DEBT

| | 2019 | Restated 2018 |
|--|-------------------|-------------------|
| Payable to Capital Region Southwest Water Services Commission, due \$2,039 monthly including interest at 4.59%, maturing December 2034 | \$ 263,265 | \$ 275,242 |
| Payable to Capital Region Southwest Water Services Commission, due \$746 monthly including interest at 2.83%, maturing June 2028 | 67,245 | 74,151 |
| Payable to Alberta Capital Finance Authority, due \$35,026 semi-annually including interest at 1.09%, maturing September 2020 | 69,484 | 138,217 |
| Payable to Alberta Capital Finance Authority, due \$16,287 semi-annually including interest at 2.72%, maturing September 2035 | <u>420,356</u> | <u>441,081</u> |
| | <u>\$ 820,350</u> | <u>\$ 928,691</u> |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|-------------------|-------------------|---------------------|
| 2020 | \$ 110,411 | \$ 25,643 | \$ 136,054 |
| 2021 | 42,294 | 23,708 | 66,002 |
| 2022 | 43,710 | 22,292 | 66,002 |
| 2023 | 45,176 | 20,826 | 66,002 |
| 2024 | 46,695 | 19,308 | 66,003 |
| Thereafter | <u>532,064</u> | <u>102,311</u> | <u>634,375</u> |
| | <u>\$ 820,350</u> | <u>\$ 214,088</u> | <u>\$ 1,034,438</u> |

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

8. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the municipality be disclosed as follows:

| | 2019 | Restated 2018 |
|---|------------------|------------------|
| Total debt limit | \$ 1,184,124 | \$ 1,152,585 |
| Total debt | <u>820,350</u> | <u>928,691</u> |
| Amount of debt limit (exceeded) available | <u>363,774</u> | <u>223,894</u> |
| Debt servicing limit | 197,354 | 192,098 |
| Debt servicing | <u>136,054</u> | <u>136,054</u> |
| Amount of debt servicing limit (exceeded) available | \$ <u>61,300</u> | \$ <u>56,044</u> |

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) 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.

9. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The village's financial instruments consist of cash, receivables, long term investments, accounts payable, deposit liabilities and long-term debt. In management's opinion these financial instruments are not exposed to significant interest rate or currency risks.

The village is exposed to various risks through its financial instruments. The following analysis provides a measure of the village's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

It is management's opinion that the village is not exposed to significant currency or other price risk.

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

9. FINANCIAL INSTRUMENTS - Continued

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 market interest rates. The village has fixed rate debt which is subject to fair value risk, as the value will fluctuate as a result of changes in market rates.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The village 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 taxpayers and entities to which the village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. The carrying value of accounts receivable reflects management's assessment of credit risk.

Operating Lines of Credit

At December 31, 2019, the village had an authorized short-term bank line of credit limit of \$200,000 (2018 – \$200,000) of which \$NIL (2018 - \$NIL) had been drawn down. The line of credit is a revolving operating facility that bears interest at 2.7% and is reviewed annually. At December 31, 2019 the village had a credit card with a limit of \$8,600 (2018 - \$8,600) of which \$NIL (2018 - \$NIL) had been drawn down. This credit card bears interest at 8.95%.

10. ACCUMULATED SURPLUS

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

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Unrestricted surplus (deficit) | \$ 964,971 | \$ 1,001,038 |
| Equity in tangible capital assets (Note 12) | 3,921,926 | 4,019,277 |
| Restricted surplus (Note 11) | <u>274,111</u> | <u>274,111</u> |
| | <u>\$ 5,161,008</u> | <u>\$ 5,294,426</u> |

11. RESTRICTED SURPLUS

Council has designated funds of \$274,111 (2018 - \$274,111) restricted for capital activities.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

12. EQUITY IN TANGIBLE CAPITAL ASSETS

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Tangible capital assets (Schedule 2) | \$ 7,692,625 | \$ 7,669,897 |
| Accumulated Amortization (Schedule 2) | (3,280,859) | (3,071,322) |
| Alberta Capital Finance Authority Debt (Note 7) | <u>(489,840)</u> | <u>(579,298)</u> |
| | <u>\$ 3,921,926</u> | <u>\$ 4,019,277</u> |

13. RELATED PARTY TRANSACTIONS

The Village Council appoints all executive positions of the Hay Lakes Library Board. Included in expenses is \$7,500 (2018 - \$7,500) paid to the Hay Lakes Municipal Library to help fund operations. Amounts are recorded at exchange amount which is the amount agreed to by the parties.

14. SALARY & BENEFITS DISCLOSURE

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

| | 2019 | | | 2018 |
|--------------------------|-------------------|--|--------------|--------------|
| | Salary (1) | Benefits & Allowances (2) | Total | Total |
| Dawn Pauls, Mayor | \$ 11,840 | \$ - | \$ 11,840 | \$ 10,837 |
| Ron These, Councillor | 7,760 | - | 7,760 | 4,724 |
| Megan Patten, Councillor | 6,502 | - | 6,502 | 9,586 |
| Fay Leicht, Councillor | 5,930 | - | 5,930 | 5,350 |
| Dave Vallee, Councillor | 4,320 | - | 4,320 | 4,100 |
| K.Shannon Yeanwood, CAO | 60,153 | 6,221 | 66,374 | 4,017 |
| CAO | \$ - | \$ - | \$ - | \$ 100,493 |

(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.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

15. COMMITMENTS

The village is a member of the Capital Region Southwest Water Services Commission. The village has an agreement to receive water from the commission which can be cancelled with 5 years notice. The village purchased water from the commission during the year in the amount of \$63,708 (2018 - \$54,533). Included in accounts payable is \$6,795 (2018 - \$7,493) due to the commission.

Amounts are recorded at exchange amount which is the amount agreed to by the parties.

The village is a member of the Camrose Regional Waste Authority. As such, they could be subject to additional requisitions for future site and post-closure care obligations of the landfill over and above the annual requisition paid.

The village is party to a shared fire protection services funding agreement with other municipalities within Camrose County. Under the agreement they are responsible for their share of the costs of fire protection.

The village is party to the Camrose County Regional Assessment Review Services Agreement to engage the property tax assessor for the village. This agreement expires May 2024.

The village has signed a 3 year agreement with Town Folio to update the statistics on the village website. This agreement expires July 2021.

16. CONTINGENCIES

The village is a member of the Alberta Municipal Insurance Exchange (MUNIX). 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.

Periodically legal actions are brought against the village in the normal course of operations. Management believes the resolution of any claims presently outstanding is not expected to be significant to the overall financial position of the village.

17. SEGMENTED DISCLOSURE

The Village of Hay Lakes 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 non-consolidated financial statements as disclosed in Note 1.

Refer to Schedule 6 – Segmented Disclosure.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

18. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2019 are for information purposes only and have not been audited.

19. COMPARATIVE FIGURES

Certain 2018 comparative figures have been reclassified in order to conform with the financial statement presentation adopted for 2019.

20. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to record the investment in Capital Region Southwest Water Services Commission and corresponding debt advanced in 2018 and prior years. The comparative figures in these financial statements have been adjusted as follows.

On the statement of financial position, the balance of long-term investments has been increased by \$439,281 from a balance of \$NIL, and the balance of long-term debt has been increased by \$349,393 from a balance of \$579,298 to \$928,691. This has resulted in a net increase of \$89,888 to net financial assets.

On the schedule of changes in accumulated surplus, the 2018 opening balance of unrestricted surplus has been increased by \$75,061. This has resulted in increasing the 2018 beginning balance of accumulated surplus from \$5,340,959 to \$5,416,020.

On the statement of operations, expenses have been decreased by \$14,827 from a balance of \$999,855 to \$985,028, decreasing the net loss from \$(136,421) to \$(121,594). This has resulted in increasing the 2018 ending balance of accumulated surplus from \$5,204,538 to \$5,294,426 and increasing the 2019 beginning balance of unrestricted surplus from \$911,150 to \$1,001,038.

21. SUBSEQUENT EVENTS

Subsequent to year-end, the spread of COVID-19 triggered a public health emergency in the Province of Alberta.

This event has impacted the village's ratepayers, suppliers and other third parties with which the village does business. This event could cause significant changes to the timing and/or amounts realized in relation to the village's assets and/or liabilities and may have a significant effect on its financial results.

The impact to the village cannot be quantified at this time.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these non-consolidated financial statements.