

VILLAGE OF HAY LAKES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

VILLAGE OF HAY LAKES

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

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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 financial statements present fairly the village's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The 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 judgements. 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 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 financial statements.


The Village Council carries out its responsibilities for review of the 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 financial statements.

The 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 financial statements.



Chief Administrative Officer



Date



*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council
Village of Hay Lakes

Opinion

We have audited the financial statements of Village of Hay Lakes, which comprise the statement of financial position as at December 31, 2021 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the village as at December 31, 2021, the results of its operations, changes in its net financial assets (debt) and 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 *Auditors' Responsibilities for the Audit of the 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 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.

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

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

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Accounts due when rendered. Interest at 1.5% per month (19.6% per annum) charged on accounts over 30 days.

*DENOTES PROFESSIONAL CORPORATION

Auditors' Responsibilities 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 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 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 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 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 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.

Stettler, Alberta

July 18, 2022

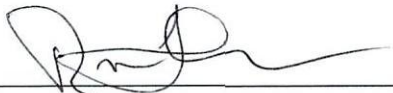
Gitzel & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

VILLAGE OF HAY LAKES
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 68,608	\$ 224,208
Taxes and grants in place of taxes receivable (Note 4)	50,109	67,442
Trade and other receivables	112,608	72,734
Receivable from other governments	362,784	536,881
Local improvement levies receivable	349,345	352,561
Long-term investments (Note 5)	<u>439,281</u>	<u>439,281</u>
	<u>1,382,735</u>	<u>1,693,107</u>
 LIABILITIES		
Accounts payable and accrued liabilities	87,607	160,066
Payable to other governments	-	5,489
Deferred revenue (Note 6)	337,000	566,976
Long-term debt (Note 7)	<u>667,645</u>	<u>709,940</u>
	<u>1,092,252</u>	<u>1,442,471</u>
 NET FINANCIAL ASSETS (DEBT)	 <u>290,483</u>	 <u>250,636</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	5,460,346	5,086,603
Land held for resale	447,244	447,245
Prepaid expenses	<u>4,474</u>	<u>1,036</u>
	<u>5,912,064</u>	<u>5,534,884</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 10)	 <u>\$ 6,202,547</u>	 <u>\$ 5,785,520</u>

Contingencies – See Note 16

APPROVED ON BEHALF OF THE VILLAGE COUNCIL:


 _____ Mayor

VILLAGE OF HAY LAKES

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
REVENUES			
Net municipal taxes (Schedule 3)	\$ 362,235	\$ 359,357	\$ 361,782
Government transfers for operating (Schedule 4)	352,000	112,250	50,648
Sales of goods and user fees	273,875	307,068	272,963
Franchise and concession contracts	25,238	32,714	24,288
Investment income	2,020	11,495	12,535
Penalties and costs of taxes	15,000	27,708	22,577
Rentals	27,200	32,628	17,464
Other	3,075	10,287	8,492
Total Revenue	<u>1,060,643</u>	<u>893,507</u>	<u>770,749</u>
EXPENSES (Schedule 5)			
Legislative	51,250	39,150	34,749
Administration	219,632	145,919	225,842
Protective services	107,030	80,397	73,586
Transportation services	326,648	356,676	354,243
Water supply and distribution	153,259	167,676	190,200
Wastewater treatment and disposal	154,709	58,524	46,144
Waste management	73,200	72,670	70,648
Public health and welfare	3,350	2,639	3,127
Planning and development	1,000	19,130	2,209
Parks and recreation	61,542	73,567	38,680
Library and culture (Note 13)	16,732	16,777	12,682
Total Expenses	<u>1,168,352</u>	<u>1,033,125</u>	<u>1,052,110</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER			
	(107,709)	(139,618)	(281,361)
OTHER			
Government transfers for capital (Schedule 4)	<u>390,375</u>	<u>556,645</u>	<u>787,628</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES			
	\$ <u>282,666</u>	417,027	506,267
ACCUMULATED SURPLUS – BEGINNING OF YEAR			
		<u>5,785,520</u>	<u>5,279,253</u>
ACCUMULATED SURPLUS – END OF YEAR			
		\$ <u>6,202,547</u>	\$ <u>5,785,520</u>

VILLAGE OF HAY LAKES

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>417,027</u>	\$ <u>506,267</u>
Acquisition of tangible capital assets	(615,506)	(746,117)
Amortization of tangible capital assets	<u>241,763</u>	<u>224,824</u>
	<u>(373,743)</u>	<u>(521,293)</u>
Sale of land held for resale	<u>-</u>	<u>24,999</u>
Acquisition of prepaid assets	(4,474)	(1,036)
Use of prepaid assets	<u>1,037</u>	<u>363</u>
	<u>(3,437)</u>	<u>(673)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	39,847	9,300
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>250,636</u>	<u>241,336</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u><u>290,483</u></u>	\$ <u><u>250,636</u></u>

VILLAGE OF HAY LAKES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 417,027	\$ 506,267
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	241,763	224,824
Loss (gain) on disposal of tangible capital assets	-	-
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	17,333	(1,137)
Trade and other receivables	(39,874)	(6,026)
Receivable from other governments	174,097	(128,399)
Local improvement levies receivable	3,216	32,960
Land held for resale	-	24,999
Accounts payable and accrued liabilities	(77,948)	48,091
Deferred revenue	(229,976)	253,914
Deposits held	-	(1,000)
Prepaid expenses	(3,437)	(673)
Net cash provided by (used in) operating activities	<u>502,201</u>	<u>953,820</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(615,506)	(746,117)
Proceeds on sale of tangible capital assets	-	-
Net cash provided by (used in) capital activities	<u>(615,506)</u>	<u>(746,117)</u>
FINANCING ACTIVITIES		
Due to Alberta Capital Finance Authority repaid	(21,874)	(90,775)
Due to Capital Region Southwest Water Services Commission repaid	(20,421)	(19,635)
Net cash provided by (used in) financing activities	<u>(42,295)</u>	<u>(110,410)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(155,600)	97,293
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>224,208</u>	<u>126,915</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note 3)	<u>\$ 68,608</u>	<u>\$ 224,208</u>

VILLAGE OF HAY LAKES

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE - BEGINNING OF YEAR	\$ <u>809,871</u>	\$ <u>288,111</u>	\$ <u>4,687,538</u>	\$ <u>5,785,520</u>	\$ <u>5,279,253</u>
Excess (deficiency) of revenues over expenses	417,027	-	-	417,027	506,267
Capital long-term debt repaid	(21,874)	-	21,874	-	-
Current year funds used for tangible capital assets	(615,506)	-	615,506	-	-
Annual amortization expense	<u>241,763</u>	<u>-</u>	<u>(241,763)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>21,410</u>	<u>-</u>	<u>395,617</u>	<u>417,027</u>	<u>506,267</u>
BALANCE - END OF YEAR	\$ <u><u>831,281</u></u>	\$ <u><u>288,111</u></u>	\$ <u><u>5,083,155</u></u>	\$ <u><u>6,202,547</u></u>	\$ <u><u>5,785,520</u></u>

VILLAGE OF HAY LAKES

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST:								
BALANCE - BEGINNING OF YEAR	\$ 460,067	\$ 177,624	\$ 414,521	\$ 6,634,623	\$ 837,843	\$ 68,077	\$ 8,592,755	\$ 7,846,638
Acquisition of tangible capital assets	600	-	-	527,091	23,665	64,150	615,506	746,117
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,374</u>	<u>-</u>	<u>5,374</u>	<u>-</u>
BALANCE - END OF YEAR	<u>460,667</u>	<u>177,624</u>	<u>414,521</u>	<u>7,161,714</u>	<u>866,882</u>	<u>132,227</u>	<u>9,213,635</u>	<u>8,592,755</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	168,981	310,135	2,402,505	575,097	49,434	3,506,152	3,281,328
Annual amortization	-	810	7,234	191,980	34,389	7,350	241,763	224,824
Accumulated amortization on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,374</u>	<u>-</u>	<u>5,374</u>	<u>-</u>
BALANCE - END OF YEAR	<u>-</u>	<u>169,791</u>	<u>317,369</u>	<u>2,594,485</u>	<u>614,860</u>	<u>56,784</u>	<u>3,753,289</u>	<u>3,506,152</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>460,667</u>	<u>7,833</u>	<u>97,152</u>	<u>4,567,229</u>	<u>252,022</u>	<u>\$ 75,443</u>	<u>\$ 5,460,346</u>	<u>5,086,603</u>
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 460,067</u>	<u>\$ 8,643</u>	<u>\$ 104,386</u>	<u>\$ 4,232,118</u>	<u>\$ 262,746</u>	<u>\$ 18,643</u>		

VILLAGE OF HAY LAKES

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	\$ 489,300	\$ 477,902	\$ 483,569
Linear property taxes	<u>45</u>	<u>43</u>	<u>45</u>
	489,345	477,945	483,614
REQUISITIONS			
Alberta School Foundation Fund	<u>127,110</u>	<u>118,588</u>	<u>121,832</u>
NET MUNICIPAL TAXES	\$ <u>362,235</u>	\$ <u>359,357</u>	\$ <u>361,782</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
TRANSFER FOR OPERATING:			
Provincial government	\$ 337,000	\$ 89,877	\$ 40,913
Federal government	-	2,000	-
Local government	<u>15,000</u>	<u>20,373</u>	<u>9,735</u>
	352,000	112,250	50,648
TRANSFERS FOR CAPITAL			
Provincial government	340,375	477,995	787,628
Federal government	50,000	76,650	-
Local government	<u>-</u>	<u>2,000</u>	<u>-</u>
	390,375	556,645	787,628
TOTAL GOVERNMENT TRANSFERS	\$ <u>742,375</u>	\$ <u>668,895</u>	\$ <u>838,276</u>

VILLAGE OF HAY LAKES

SCHEDULE 5 – EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
EXPENSES BY OBJECT			
Salaries, wages, and benefits	\$ 347,710	\$ 297,248	\$ 283,567
Contracted and general services	345,835	205,205	259,377
Purchases from other governments	70,000	68,789	58,994
Materials, goods, supplies and utilities	128,740	158,685	155,779
Transfers to other governments	6,000	6,608	6,016
Transfers to local agencies (Note 13)	25,542	43,542	21,542
Bank charges and short-term interest	2,100	2,745	2,112
Bad debts	-	(14,994)	15,394
Interest on long term debt	12,000	23,534	24,505
Amortization of tangible capital assets	<u>230,425</u>	<u>241,763</u>	<u>224,824</u>
TOTAL EXPENDITURES	\$ <u>1,168,352</u>	\$ <u>1,033,125</u>	\$ <u>1,052,110</u>

VILLAGE OF HAY LAKES

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	FCSS	Total
REVENUE								
Net municipal taxes	\$ 359,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,357
Government transfers	73,877	26,373	-	-	12,000	-	-	112,250
User fees and sales of goods	6,071	25,072	-	-	752	275,173	-	307,068
Franchise and concessions	32,714	-	-	-	-	-	-	32,714
Investment income	11,495	-	-	-	-	-	-	11,495
Penalties and costs of taxes	12,587	-	-	-	-	15,121	-	27,708
Rentals	-	-	-	-	32,628	-	-	32,628
Other revenues	3,577	6,318	-	-	392	-	-	10,287
	<u>499,678</u>	<u>57,763</u>	<u>-</u>	<u>-</u>	<u>45,772</u>	<u>290,294</u>	<u>-</u>	<u>893,507</u>
EXPENSES								
Salaries and wages	142,618	19,593	73,984	-	15,926	45,127	-	297,248
Contract and general services	32,687	23,722	19,468	19,130	22,277	85,281	2,640	205,205
Purchases from other governments	-	-	-	-	-	68,789	-	68,789
Materials, goods, supplies and utilities	11,650	27,088	94,061	-	7,141	18,745	-	158,685
Transfer to other agencies	6,000	6,608	-	-	37,542	-	-	50,150
Long term debt interest	-	-	10,525	-	-	13,009	-	23,534
Other expenses	(12,249)	-	-	-	-	-	-	(12,249)
	<u>180,706</u>	<u>77,011</u>	<u>198,038</u>	<u>19,130</u>	<u>82,886</u>	<u>230,951</u>	<u>2,640</u>	<u>791,362</u>
NET REVENUE, BEFORE AMORTIZATION	<u>318,972</u>	<u>(19,248)</u>	<u>(198,038)</u>	<u>(19,130)</u>	<u>(37,114)</u>	<u>59,343</u>	<u>(2,640)</u>	<u>102,145</u>
Amortization expense	4,364	3,386	158,638	-	7,457	67,918	-	241,763
NET REVENUE	<u>\$ 314,608</u>	<u>\$ (22,634)</u>	<u>\$ (356,676)</u>	<u>\$ (19,130)</u>	<u>\$ (44,571)</u>	<u>\$ (8,575)</u>	<u>\$ (2,640)</u>	<u>\$ (139,618)</u>

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The 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 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 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 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 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.

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.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(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) 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.

(f) 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.

(g) 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 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.

(h) 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.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(i) 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.

(j) 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.

(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.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(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.

(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.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 for the fiscal years beginning on or after April 1, 2022.
- (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 for the fiscal years beginning on or after 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 for the fiscal years beginning on or after April 1, 2022.
- (d) Section PS 3050 – Loans Receivable
This section establishes standards on how to account for and report loans receivable in government financial statements. The standards apply to loans to borrowers outside of the government reporting entity. Effective for the fiscal years beginning on or after April 1, 2022.
- (e) Section PS 3160 – Public Private Partnerships
This section establishes standards on accounting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. Effective for the fiscal years beginning on or after April 1, 2023.
- (f) Section PS 3450 – Financial Instruments
This section establishes guidance on the recognition, measurement and disclosure requirements for financial instruments. Effective for the fiscal years beginning on or after April 1, 2022.
- (g) Section PS 3280 – Asset Retirement Obligations
This section establishes standards on how to account for a liability for retirement of a tangible capital asset. Effective for the fiscal years beginning on or after April 1, 2022.
- (h) 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 for the fiscal years beginning on or after April 1, 2023.
- (i) Section PSG – 8 – Purchased Intangibles
This section establishes standards on how to recognize and record purchased intangibles that meet the definition of an asset. Effective for the fiscal years beginning on or after April 1, 2023.

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

3. CASH AND SHORT TERM INVESTMENTS

	2021	2020
Cash	\$ <u>68,608</u>	\$ <u>224,208</u>

Council has designated funds of \$288,111 (2020 - \$288,111) to restricted surplus, funded by cash and receivables.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2021	2020
Current taxes and grants in place of taxes	\$ 35,062	\$ 33,737
Arrears taxes	<u>15,047</u>	<u>33,705</u>
	\$ <u>50,109</u>	\$ <u>67,442</u>

5. LONG-TERM INVESTMENTS

	2021	2020
Capital Region Southwest Water Services Commission	\$ <u>439,281</u>	\$ <u>439,281</u>

The village is a member of the Capital Regional Southwest Water Services Commission. The investment is recorded at cost and represents their equity in the commission.

6. DEFERRED REVENUE

	2021	2020
Municipal sustainability initiative grant – capital	\$ 237,763	\$ 323,157
Alberta municipal water/wastewater partnership	-	129,806
Municipal operating support transfer	-	55,123
Canada Community-Building Fund	23,350	-
Municipal stimulus program	18,840	58,840
Other grants	6,747	-
Park donation	50,000	-
Prepaid business and dog licenses	<u>300</u>	<u>50</u>
	\$ <u>337,000</u>	\$ <u>566,976</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 \$316,795 (2020 - \$486,369) accounts receivable of \$53,500 (2020 - \$NIL) and cash of \$NIL (2020 - \$80,607).

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

7. LONG-TERM DEBT

	2021	2020
Payable to Capital Region Southwest Water Services Commission, due \$2,039 monthly including interest at 4.59%, maturing December 2034	\$ 237,617	\$ 250,733
Payable to Capital Region Southwest Water Services Commission, due \$746 monthly including interest at 2.83%, maturing June 2028	52,837	60,142
Payable to Alberta Capital Finance Authority, due \$16,287 semi-annually including interest at 2.72%, maturing September 2035	<u>377,191</u>	<u>399,065</u>
	<u>\$ 667,645</u>	<u>\$ 709,940</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 43,710	\$ 22,293	\$ 66,003
2023	45,176	20,826	66,002
2024	46,695	19,308	66,003
2025	48,268	17,734	66,002
2026	49,898	16,104	66,002
Thereafter	<u>433,898</u>	<u>68,472</u>	<u>502,370</u>
	<u>\$ 667,645</u>	<u>\$ 164,737</u>	<u>\$ 832,382</u>

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:

	2021	2020
Total debt limit	\$ 1,340,261	\$ 1,156,124
Total debt supported by general revenues	<u>377,191</u>	<u>399,065</u>
Amount of debt limit (exceeded) available	<u>963,070</u>	<u>757,059</u>
Debt servicing limit	223,377	192,687
Debt servicing supported by general revenues	<u>32,573</u>	<u>32,573</u>
Amount of debt servicing limit (exceeded) available	<u>\$ 190,804</u>	<u>\$ 160,114</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.

VILLAGE OF HAY LAKES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, deposits held 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.

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 manages its exposure to interest rate risk through a combination of fixed and floating rate borrowings. The fixed rate debt is subject to fair value risk, as the value will fluctuate as a result of changes in market rates. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt 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, 2021, the village had an authorized short-term bank line of credit limit of \$300,000 (2020 – \$300,000) of which \$NIL (2020 - \$NIL) had been drawn down. The line of credit is a revolving operating facility that bears interest at the prime rate plus 1% and is reviewed annually. At December 31, 2021 the village had a credit card with a limit of \$8,600 (2020 - \$8,600) of which \$1,162 (2020 - \$599) had been drawn down. This credit card bears interest at 7.45%.

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

10. ACCUMULATED SURPLUS

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

	2021	2020
Unrestricted surplus (deficit)	\$ 831,281	\$ 809,871
Equity in tangible capital assets (Note 12)	5,083,155	4,687,538
Restricted surplus (Note 11)	<u>288,111</u>	<u>288,111</u>
	\$ <u>6,202,547</u>	\$ <u>5,785,520</u>

11. RESTRICTED SURPLUS

Council has designated funds of \$274,111 (2020 - \$274,111) restricted for capital activities and funds of \$14,000 (2020 - \$14,000) restricted for telegraph park operations.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 2)	\$ 9,213,635	\$ 8,592,755
Accumulated Amortization (Schedule 2)	(3,753,289)	(3,506,152)
Alberta Capital Finance Authority Debt (Note 7)	<u>(377,191)</u>	<u>(399,065)</u>
	\$ <u>5,083,155</u>	\$ <u>4,687,538</u>

13. RELATED PARTY TRANSACTIONS

The Village Council appoints all executive positions of the Hay Lakes Library Board. Included in expenses is \$11,500 (2020 - \$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.

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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:

	2021			2020
	Salary (1)	Benefits & Allowances (2)	Total	Total
Ron These, Mayor	\$ 6,400	\$ 84	\$ 6,484	\$ 7,754
Megan Patten, Deputy Mayor	5,950	46	5,996	7,031
Dave Vallee, Mayor	5,100	-	5,100	5,960
Dawn Pauls, Deputy Mayor	4,650	-	4,650	8,440
Fay Leicht, Councillor	4,300	-	4,300	7,120
Paige Berkholtz, Councillor	1,800	68	1,868	-
Clifford Heinz, Councillor	1,800	68	1,868	-
Paul Patterson, Councillor	1,800	68	1,868	-
K.Shannon Yearwood, CAO	\$ 63,658	\$ 4,412	\$ 68,070	\$ 72,149

Designated officers include a contract assessor. There is no direct salary paid for this position.

(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.

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 \$68,789 (2020 - \$58,994). Included in accounts payable is \$14,898 (2020 - \$7,322) 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 and mutual aid funding agreement with other municipalities within Camrose County. Under the agreement they are responsible for their share of the costs of fire protection and services provided.

The village has engaged Camrose County to provide planning services on a contract basis for the village. This agreement expires December 2024.

VILLAGE OF HAY LAKES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

15. COMMITMENTS - Continued

The village has signed a 3 year agreement with Town Folio to update the statistics on the village website. This agreement expires July 2022.

The village has engaged Tanmar Consulting Inc. to provide property tax assessment services for the village. This agreement expires October 2024.

The village has signed a 5 year agreement with Phantom Garbage Services Ltd. to provide waste removal and recycling services to residents in the village. This agreement expires December 2025.

The village has signed a contract with Rural Bylaw to provide bylaw enforcement services within the village. This agreement expires December 2022.

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.

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 financial statements as disclosed in Note 1.

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police and fire. Transportation includes roads, streets, walks, lighting and airport. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls.

Refer to Schedule 6 – Segmented Disclosure.

18. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2021 are for information purposes only and have not been audited.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.