

May 16, 2023

Village of Hughenden
Box 26
Hughenden, Alberta
T0B 2E0

Attention: Richard

Dear Sir

Thank you for the opportunity to prepare the financial statements for the Village of Hughenden.

Please find enclosed the following:

- 7 copies of the 2022 Audited Financial Statements.
- Copy of the Audited 2022 Financial Information Return.
- Adjusting journal entries
- Closing trial balance
- My fee for services rendered

Sincerely yours,

BRIAN KING PROFESSIONAL CORPORATION

Brian King, CGA

/bk

Enclosures:

May 16, 2023

Village of Hughenden
Box 26
Hughenden, Alberta
T0B 2E0

Attention: Council members

Dear Council Members:

At this time I would like to thank Trina for her co-operation throughout the audit. I would also like to make the following recommendations with regards to the Village.

- Minimum tax must be equal across all properties (Farm Land)
- Non-Residential ASFF requisition was under levied in the amount of 1,968.82 and needs to be added to the 2023 taxes collected.
- There was a tax recovery property sold during the year, 2,705.70 is the extra proceeds on the sale and needs to be placed in a separate bank account for the former owner if they ask for it for a period of 10 years.
- Amortization must be budgeted for and recorded in Muniware

If you have any questions or concerns regarding this or any other matter, please feel free to contact myself.

Sincerely yours,

BRIAN KING PROFESSIONAL CORPORATION

Brian King, CPA, CGA
/bk
Enclosures:

VILLAGE OF HUGHENDEN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Hughenden:

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Village of Hughenden (the Entity), which comprise the consolidated statement of financial position as at December 31, 2022, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Hughenden as at December 31, 2022, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters 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 Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

My 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 6.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 10.

M.D. of Wainwright
May 16, 2023

Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF HUGHENDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash (Note 2)	136,662	116,268
Taxes and grants in place of taxes (Note 3)	61,350	49,207
Trade and other receivables	21,888	19,846
Receivable from other governments	388,179	466,271
Inventory held for resale	32,744	37,216
Other financial assets	4,339	4,455
	<u>645,162</u>	<u>693,263</u>
LIABILITIES		
Accounts payable and accrued liabilities	38,767	43,840
Deferred revenue (Note 4)	466,274	531,342
	<u>505,041</u>	<u>575,182</u>
NET FINANCIAL ASSETS (DEBT)	<u>140,121</u>	<u>118,081</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>3,397,922</u>	<u>3,516,254</u>
ACCUMULATED SURPLUS (NOTE 7)	<u>3,538,043</u>	<u>3,634,335</u>

VILLAGE OF HUGHENDEN

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (unaudited)	2022	2021
REVENUE			
Net municipal property taxes (Schedule 3)	201,899	204,110	200,170
User fees and sales of goods	183,700	188,096	181,138
Penalties and costs on taxes	11,200	10,958	9,996
Licenses and permits	300	518	384
Fines	200	-	41
Franchise and concession contracts	16,000	19,031	16,078
Investment income	-	3,410	211
Rentals	2,600	2,700	2,600
Government transfers for operating	46,222	38,782	76,447
Other	4,025	6,000	1,012
	<u>466,146</u>	<u>473,605</u>	<u>488,077</u>
EXPENSES			
Legislative	8,500	6,592	7,452
Administration	124,670	129,782	126,646
Protective services	20,786	25,935	17,255
Transportation	91,992	122,799	90,047
Water supply and distribution	104,228	135,914	104,831
Wastewater treatment and disposal	31,149	69,369	35,921
Waste management	37,536	31,022	28,635
Public health and welfare	1,806	2,060	2,060
Planning and development	-	7,525	1,138
Recreation	18,160	27,628	18,352
Culture	7,319	7,319	7,328
Amortization	-	180,402	177,690
	<u>446,146</u>	<u>746,347</u>	<u>617,355</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	20,000	(272,742)	(129,278)
OTHER			
Government transfers for capital (Schedule 4)	-	176,450	81,975
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	20,000	(96,292)	(47,303)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,634,335</u>	<u>3,634,335</u>	<u>3,681,638</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>3,654,335</u></u>	<u><u>3,538,043</u></u>	<u><u>3,634,335</u></u>

VILLAGE OF HUGHENDEN

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (unaudited)	2022	2021
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>20,000</u>	<u>(96,292)</u>	<u>(47,303)</u>
Acquisition of tangible capital assets	-	(62,070)	(75,591)
Amortization of tangible capital assets	-	180,402	177,690
	<u>-</u>	<u>118,332</u>	<u>102,099</u>
INCREASE IN NET FINANCIAL ASSETS	20,000	22,040	54,796
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>118,081</u>	<u>118,081</u>	<u>63,285</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>138,081</u>	<u>140,121</u>	<u>118,081</u>

VILLAGE OF HUGHENDEN

CONSOLIDATED 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 revenues over expenses	(96,292)	(47,303)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	180,402	177,690
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(12,143)	(8,252)
Decrease (increase) in trade and other receivables	(2,042)	949
Decrease (increase) in receivable from other governments	78,092	(102,696)
Decrease (increase) in inventory held for resale	4,472	-
Decrease (increase) in other financial assets	116	(211)
Increase (decrease) in accounts payable and accrued liabilities	(5,073)	(183,061)
Increase (decrease) in deferred revenue	(65,068)	188,885
	82,464	26,001
CAPITAL		
Acquisition of tangible capital assets	(62,070)	(75,591)
INVESTING		
Decrease (increase) in restricted cash and term deposits	8,764	(50,999)
FINANCING		
Long-term debt repaid	-	(4,322)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	29,158	(104,911)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,383	130,294
CASH AND CASH EQUIVALENTS, END OF YEAR	54,541	25,383
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	136,462	116,068
Less: restricted portion of cash and term deposits (Note 2)	(82,121)	(90,885)
	54,541	25,383

VILLAGE OF HUGHENDEN

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
BALANCE, BEGINNING OF YEAR	118,081	-	3,516,254	3,634,335	3,681,638
Excess (deficiency) of revenues over expenses	(96,292)	-	-	(96,292)	(47,303)
Current year funds used for tangible capital assets	(62,070)	-	62,070	-	-
Annual amortization expense	180,402	-	(180,402)	-	-
Change in accumulated surplus	22,040	-	(118,332)	(96,292)	(47,303)
BALANCE, END OF YEAR	<u>140,121</u>	<u>-</u>	<u>3,397,922</u>	<u>3,538,043</u>	<u>3,634,335</u>

VILLAGE OF HUGHENDEN

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2022	2021
COST:								
Balance - beginning of year	30,911	24,569	475,511	5,018,030	310,466	329,328	6,188,815	6,113,224
Acquisition of tangible capital assets	-	-	-	62,070	-	-	62,070	75,591
Balance - end of year	30,911	24,569	475,511	5,080,100	310,466	329,328	6,250,885	6,188,815
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	4,681	136,734	2,156,176	198,677	176,293	2,672,561	2,494,871
Annual amortization	-	1,055	10,393	134,175	22,282	12,497	180,402	177,690
Balance - end of year	-	5,736	147,127	2,290,351	220,959	188,790	2,852,963	2,672,561
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	30,911	18,833	328,384	2,789,749	89,507	140,538	3,397,922	3,516,254
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	30,911	19,888	338,777	2,861,854	111,789	153,035	3,516,254	

VILLAGE OF HUGHENDEN

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 3)

	Budget (Unaudited)	2022	2021
TAXATION			
Real property taxes	229,709	230,459	226,060
Linear property taxes	6,274	9,704	10,696
	<u>235,983</u>	<u>240,163</u>	<u>236,756</u>
REQUISITIONS			
Alberta School Foundation	31,645	33,614	33,892
Hillcrest Lodge	2,439	2,439	2,694
	<u>34,084</u>	<u>36,053</u>	<u>36,586</u>
NET MUNICIPAL TAXES	<u>201,899</u>	<u>204,110</u>	<u>200,170</u>

VILLAGE OF HUGHENDEN

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 4)

	Budget (Unaudited)	2022	2021
TRANSFERS FOR OPERATING			
Federal Government	7,440	-	6,059
Provincial Government	38,782	38,782	70,388
	<u>46,222</u>	<u>38,782</u>	<u>76,447</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	4,254	-
Provincial Government	-	172,196	81,975
	<u>-</u>	<u>176,450</u>	<u>81,975</u>
TOTAL GOVERNMENT TRANSFERS	<u>46,222</u>	<u>215,232</u>	<u>158,422</u>

VILLAGE OF HUGHENDEN

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 5)

	Budget (Unaudited)	2022	2021
Expenditures			
Salaries, wages and benefits	207,225	202,464	203,781
Contracted and general services	91,681	206,162	99,472
Purchases from other governments	5,741	4,777	4,742
Materials, goods and utilities	114,700	110,655	105,509
Provision for allowances	100	(4,399)	-
Transfers to other governments	11,349	11,349	10,089
Transfers to local boards and agencies	14,600	34,854	15,560
Bank charges and short term interest	250	65	382
Interest on operating long term debt	-	-	130
Other expenditures	500	18	-
Amortization of tangible capital assets	-	180,402	177,690
	<u>446,146</u>	<u>746,347</u>	<u>617,355</u>

VILLAGE OF HUGHENDEN

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	204,110	-	-	-	-	-	-	204,110
User fees and sales of goods	-	-	778	184,143	300	2,875	-	188,096
Penalties and costs on taxes	8,887	-	-	2,071	-	-	-	10,958
Licenses and permits	518	-	-	-	-	-	-	518
Fines	-	-	-	-	-	-	-	-
Franchise and concession contracts	19,031	-	-	-	-	-	-	19,031
Investment income	3,410	-	-	-	-	-	-	3,410
Rentals	2,700	-	-	-	-	-	-	2,700
Government transfers	38,782	-	-	-	-	-	-	38,782
Other	-	5,000	-	-	1,000	-	-	6,000
	<u>277,438</u>	<u>5,000</u>	<u>778</u>	<u>186,214</u>	<u>1,300</u>	<u>2,875</u>	<u>-</u>	<u>473,605</u>
EXPENSES								
Salaries, wages and benefits	78,674	-	53,042	63,926	-	-	6,822	202,464
Contracted and general services	47,626	1,803	41,482	112,198	-	3,053	-	206,162
Purchases from other governments	4,426	351	-	-	-	-	-	4,777
Materials, goods and utilities	9,964	6,217	28,275	60,181	-	4,472	1,546	110,655
Transfers to other governments	-	11,349	-	-	-	-	-	11,349
Transfers to local boards and agencies	-	6,215	-	-	2,060	-	26,579	34,854
Bank charges and short term interest	65	-	-	-	-	-	-	65
Interest on operating long term debt	-	-	-	-	-	-	-	-
	<u>136,374</u>	<u>25,935</u>	<u>122,799</u>	<u>236,305</u>	<u>2,060</u>	<u>7,525</u>	<u>34,947</u>	<u>565,945</u>
NET REVENUE, BEFORE AMORTIZATION	<u>141,064</u>	<u>(20,935)</u>	<u>(122,021)</u>	<u>(50,091)</u>	<u>(760)</u>	<u>(4,650)</u>	<u>(34,947)</u>	<u>(92,340)</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	3,980	17,856	81,301	76,210	-	-	1,055	180,402
NET REVENUE	<u>137,084</u>	<u>(38,791)</u>	<u>(203,322)</u>	<u>(126,301)</u>	<u>(760)</u>	<u>(4,650)</u>	<u>(36,002)</u>	<u>(272,742)</u>

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Hughenden are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the village are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records 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 the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible 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.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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 HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Requisition Over-levy and Under-levy

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

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

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

f) Inventories for Resale

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

g) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

h) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

i) 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.

j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) 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 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
Buildings	50
Engineered structures - other	25-50
Engineered structures - water system	25-75
Engineered structures - wastewater system	25-75
Land improvements	20
Machinery and equipment	10-15
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

2. CASH AND TERM DEPOSITS

	<u>2022</u>	<u>2021</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Canada Community Building Fund	21,141	-
Municipal Sustainability Initiative - capital	60,980	43,244
MSP Grant funding	-	42,641
Other deferred revenue	-	5,000
	<u>82,121</u>	<u>90,885</u>
Unrestricted cash and term deposits surplus (deficit)	<u>54,541</u>	<u>25,383</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2022</u>	<u>2021</u>
Current taxes and grants in place of taxes	33,523	25,070
Arrears taxes	14,725	14,238
Property held by the village as a result of tax forfeiture	13,102	13,425
	<u>61,350</u>	<u>52,733</u>
Less: allowance for doubtful accounts	-	3,526
	<u>61,350</u>	<u>49,207</u>

4. DEFERRED INCOME

Deferred income consists of the following:	<u>2022</u>	<u>2021</u>
Canada Community Building Fund	171,141	125,395
Municipal Sustainability Initiative - capital	282,793	348,351
Other deferred revenue	-	5,000
MSP Grant funding	-	42,641
Prepaid property taxes	12,340	9,955
	<u>466,274</u>	<u>531,342</u>

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

5. 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 Village of Hughenden be disclosed as follows:

	<u>2022</u>	<u>2021</u>
Total debt limit	710,408	732,116
Total debt	-	-
Surplus debt limit	<u>710,408</u>	<u>732,116</u>
Debt servicing limit	118,401	122,019
Debt servicing	-	-
Surplus debt servicing	<u>118,401</u>	<u>122,019</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, which 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 HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

6. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule 2)	6,250,885	6,188,815
Accumulated amortization (Schedule 2)	<u>(2,852,963)</u>	<u>(2,672,561)</u>
	<u>3,397,922</u>	<u>3,516,254</u>

7. ACCUMULATED SURPLUS

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

	2022	2021
Unrestricted surplus (deficit)	140,121	118,081
Equity in tangible capital assets	3,397,922	3,516,254
	<u>3,538,043</u>	<u>3,634,335</u>

8. SEGMENTED DISCLOSURE

The Village of Hughenden 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)

9. SALARY AND BENEFITS DISCLOSURE

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

	2022			2021
	Salary	Benefits & Allowances	Total	Total
Archibald	-	-	-	750
Cornforth	-	-	-	975
Gill	2,250	-	2,250	675
Laing	1,375	-	1,375	525
Hall	2,175	-	2,175	375
Reynen	-	-	-	1,275
CAO	72,000	20,652	92,652	91,890
Designated officer (1)	4,426	-	4,426	4,176

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 HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

10. 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.

The village is a member of the M.D. #52 Waste Management Authority. Under the terms of the membership, the village could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the authority. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

11. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the village is not exposed to significant interest or currency risks arising from these financial instruments.

The village is subject to credit risk with respect to taxes receivable 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.

Unless otherwise noted, the fair value of these financial instruments approximates their fair value.

12. CONTAMINATED SITES LIABILITY

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2022 (2021 – nil) as a result of this standard.

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

13. COMPARITIVE FIGURES

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

14. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.