

# *Village of Hughenden*



## **FINANCIAL STATEMENT**

FOR THE YEAR ENDING  
DECEMBER 31, 2016

**VILLAGE OF HUGHENDEN**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

## INDEPENDENT AUDITOR'S REPORT

### To the Mayor and Council of the Village of Hughenden:

#### *Report on the Consolidated Financial Statements*

I have audited the accompanying consolidated financial statements of the Village of Hughenden, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility 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.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Opinion*

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Hughenden as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

M.D. of Wainwright

March 21, 2017

A handwritten signature in black ink, appearing to be the initials "BK" followed by a stylized flourish.

Chartered Professional Accountant

# VILLAGE OF HUGHENDEN

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u> (restated)
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	73,161	7,339
Taxes and grants in place of taxes (Note 3)	35,666	30,189
Trade and other receivables	10,954	13,155
Receivable from other governments	9,704	171,901
Inventory held for resale	28,072	8,072
Other financial assets	3,580	3,389
	<u>161,137</u>	<u>234,045</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	26,811	69,285
Deposits held in trust	1,562	1,562
Deferred revenue (Note 4)	194,130	169,889
Long term debt (Note 5)	63,509	63,542
	<u>286,012</u>	<u>304,278</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(124,875)</u>	<u>(70,233)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets	<u>3,493,482</u>	<u>3,333,721</u>
<b>ACCUMULATED SURPLUS (NOTE 8)</b>	<u>3,368,607</u>	<u>3,263,488</u>

# VILLAGE OF HUGHENDEN

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015 (restated)
<b>REVENUE</b>			
Net municipal property taxes (Schedule 3)	145,320	<b>144,687</b>	140,587
User fees and sales of goods	154,400	<b>141,156</b>	134,299
Penalties and costs on taxes	14,000	<b>7,403</b>	6,364
Licenses and permits	270	<b>15</b>	170
Fines	700	<b>403</b>	199
Franchise and concession contracts	12,000	<b>14,687</b>	8,582
Investment income	-	<b>405</b>	1,081
Rentals	1,500	<b>1,750</b>	1,500
Government transfers for operating	36,173	<b>36,173</b>	40,946
Other	27,950	<b>163,209</b>	18,339
	<u>392,313</u>	<u><b>509,888</b></u>	<u>352,067</u>
<b>EXPENSES</b>			
Legislative	13,000	<b>13,678</b>	8,667
Administration	104,828	<b>117,356</b>	107,165
Protective services	24,129	<b>23,277</b>	16,353
Transportation	81,939	<b>81,707</b>	102,186
Water supply and distribution	78,597	<b>99,214</b>	103,621
Wastewater treatment and disposal	23,804	<b>33,423</b>	63,567
Waste management	30,359	<b>29,256</b>	27,811
Public health and welfare	19,388	<b>17,070</b>	2,081
Planning and development	1,500	<b>423</b>	2,071
Recreation	14,767	<b>14,767</b>	42,152
Culture	7,183	<b>9,937</b>	7,080
Amortization	-	<b>143,290</b>	133,471
	<u>399,494</u>	<u><b>583,398</b></u>	<u>616,225</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER</b>	(7,181)	<b>(73,510)</b>	(264,158)
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	182,000	<b>178,629</b>	198,396
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	174,819	<b>105,119</b>	(65,762)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>3,263,488</u>	<u><b>3,263,488</b></u>	<u>3,329,250</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u><u>3,438,307</u></u>	<u><u><b>3,368,607</b></u></u>	<u><u>3,263,488</u></u>

# VILLAGE OF HUGHENDEN

## CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015 (restated)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>174,819</u>	<u>105,119</u>	<u>(65,762)</u>
Acquisition of tangible capital assets	(144,509)	<b>(303,051)</b>	(193,288)
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	<u>-</u>	<u>143,290</u>	<u>133,471</u>
	<u>(144,509)</u>	<u>(159,761)</u>	<u>(59,817)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	30,310	<b>(54,642)</b>	(125,579)
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>(70,233)</u>	<u>(70,233)</u>	<u>55,346</u>
<b>NET FINANCIAL ASSETS (DEBT), END OF YEAR</b>	<u>(39,923)</u>	<u>(124,875)</u>	<u>(70,233)</u>

# VILLAGE OF HUGHENDEN

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015 (restated)
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	105,119	(65,762)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	143,290	133,471
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(5,477)	(775)
Decrease (increase) in trade and other receivables	2,201	(3,978)
Decrease (increase) in receivable from other governments	162,197	(92,251)
Decrease (increase) in inventory held for resale	(20,000)	-
Decrease (increase) in other financial assets	(191)	-
Increase (decrease) in accounts payable and accrued liabilities	(42,474)	32,216
Increase (decrease) in deferred revenue	24,241	4,787
	<b>368,906</b>	<b>7,708</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(303,051)	(193,288)
	<b>(303,051)</b>	<b>(193,288)</b>
<b>FINANCING</b>		
Long-term debt issued	20,000	-
Long-term debt repaid	(20,033)	(18,965)
	<b>(33)</b>	<b>(18,965)</b>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>65,822</b>	<b>(204,545)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>7,339</b>	<b>211,884</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>73,161</b>	<b>7,339</b>
<b>CASH AND CASH EQUIVALENTS IS MADE UP OF:</b>		
Cash on hand	200	200
Cash in bank	72,961	7,139
	<b>73,161</b>	<b>7,339</b>

# VILLAGE OF HUGHENDEN

## SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
<b>BALANCE, BEGINNING OF YEAR</b>	(6,691)	-	3,270,179	<b>3,263,488</b>	(restated) 3,329,250
Excess (deficiency) of revenues over expenses	105,119	-	-	<b>105,119</b>	(65,762)
Current year funds used for tangible capital assets	(153,051)	-	153,051	-	-
Contributed tangible capital assets	(150,000)	-	150,000	-	-
Annual amortization expense	143,290	-	(143,290)	-	-
Long term debt repaid	(20,033)	-	20,033	-	-
Change in accumulated surplus	(74,675)	-	179,794	<b>105,119</b>	(65,762)
<b>BALANCE, END OF YEAR</b>	(81,366)	-	3,449,973	<b>3,368,607</b>	3,263,488



## VILLAGE OF HUGHENDEN

### CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2016	2015 (restated)
<b>COST:</b>								
Balance - beginning of year	30,911	8,632	444,624	4,002,598	247,610	329,328	<b>5,063,703</b>	4,870,415
Acquisition of tangible capital assets	-	-	-	289,951	13,100	-	<b>303,051</b>	193,288
Balance - end of year	30,911	8,632	444,624	4,292,549	260,710	329,328	<b>5,366,754</b>	5,063,703
<b>ACCUMULATED AMORTIZATION</b>								
Balance - beginning of year	-	2,023	76,905	1,465,918	89,740	95,396	<b>1,729,982</b>	1,596,511
Annual amortization	-	258	9,817	102,501	16,527	14,187	<b>143,290</b>	133,471
Balance - end of year	-	2,281	86,722	1,568,419	106,267	109,583	<b>1,873,272</b>	1,729,982
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>30,911</b>	<b>6,351</b>	<b>357,902</b>	<b>2,724,130</b>	<b>154,443</b>	<b>219,745</b>	<b>3,493,482</b>	<b>3,333,721</b>
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	30,911	6,609	367,719	2,536,680	157,870	233,932	<b>3,333,721</b>	

# VILLAGE OF HUGHENDEN

## CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 3)

	Budget (Unaudited)	2016	2015 (restated)
<b>TAXATION</b>			
Real property taxes	172,748	<b>172,115</b>	168,513
Linear property taxes	6,334	<b>6,334</b>	6,174
	<u>179,082</u>	<u><b>178,449</b></u>	<u>174,687</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	30,887	<b>30,887</b>	31,225
Hillcrest Lodge	2,875	<b>2,875</b>	2,875
	<u>33,762</u>	<u><b>33,762</b></u>	<u>34,100</u>
<b>NET MUNICIPAL TAXES</b>	<u>145,320</u>	<u><b>144,687</b></u>	<u>140,587</u>

# VILLAGE OF HUGHENDEN

## CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 4)

	Budget (Unaudited)	2016	2015 (restated)
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	36,173	<b>36,173</b>	40,946
	<u>36,173</u>	<u><b>36,173</b></u>	<u>40,946</u>
<b>TRANSFERS FOR CAPITAL</b>			
Federal Government	50,000	<b>43,133</b>	106,867
Provincial Government	132,000	<b>135,496</b>	91,529
	<u>182,000</u>	<u><b>178,629</b></u>	<u>198,396</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>218,173</u>	<u><b>214,802</b></u>	<u>239,342</u>

# VILLAGE OF HUGHENDEN

## CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 5)

	Budget (Unaudited)	2016	2015 (restated)
<b>Expenditures</b>			
Salaries, wages and benefits	184,945	<b>185,779</b>	170,137
Contracted and general services	73,509	<b>108,934</b>	155,793
Purchases from other governments	5,800	<b>4,738</b>	5,808
Materials, goods and utilities	103,750	<b>107,636</b>	118,652
Provision for allowances	-	<b>3,133</b>	2,600
Transfers to other governments	6,450	<b>6,450</b>	6,450
Transfers to local boards and agencies	16,366	<b>15,146</b>	19,041
Bank charges and short term interest	4,500	<b>3,023</b>	304
Interest on operating long term debt	-	<b>95</b>	-
Interest on capital long term debt	3,574	<b>2,864</b>	3,969
Other expenditures	600	<b>2,310</b>	-
Amortization of tangible capital assets	-	<b>143,290</b>	133,471
	<u>399,494</u>	<u><b>583,398</b></u>	<u>616,225</u>

## VILLAGE OF HUGHENDEN

### SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net municipal property taxes (Schedule 2)	144,687	-	-	-	-	-	-	144,687
User fees and sales of goods	130	-	363	139,988	500	175	-	141,156
Penalties and costs on taxes	7,403	-	-	-	-	-	-	7,403
Licenses and permits	15	-	-	-	-	-	-	15
Fines	403	-	-	-	-	-	-	403
Franchise and concession contracts	14,687	-	-	-	-	-	-	14,687
Investment income	405	-	-	-	-	-	-	405
Rentals	1,750	-	-	-	-	-	-	1,750
Government transfers	36,173	-	-	-	-	-	-	36,173
Other	1,470	-	61,694	100,000	-	-	45	163,209
	<u>207,123</u>	<u>-</u>	<u>62,057</u>	<u>239,988</u>	<u>500</u>	<u>175</u>	<u>45</u>	<u>509,888</u>
<b>EXPENSES</b>								
Salaries, wages and benefits	66,113	-	41,959	70,874	-	-	6,833	185,779
Contracted and general services	41,279	2,722	11,267	50,374	53	328	2,911	108,934
Purchases from other governments	4,269	469	-	-	-	-	-	4,738
Materials, goods and utilities	11,519	12,793	28,299	37,781	15,057	-	2,187	107,636
Provision for allowances	3,133	-	-	-	-	-	-	3,133
Transfers to other governments	-	6,450	-	-	-	-	-	6,450
Transfers to local boards and agencies	-	843	-	-	1,960	-	12,343	15,146
Bank charges and short term interest	3,023	-	-	-	-	-	-	3,023
Interest on operating long term debt	-	-	-	-	-	95	-	95
Interest on capital long term debt	-	-	-	2,864	-	-	-	2,864
	<u>131,034</u>	<u>23,277</u>	<u>81,707</u>	<u>161,893</u>	<u>17,070</u>	<u>423</u>	<u>24,704</u>	<u>440,108</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>76,089</u>	<u>(23,277)</u>	<u>(19,650)</u>	<u>78,095</u>	<u>(16,570)</u>	<u>(248)</u>	<u>(24,659)</u>	<u>69,780</u>
<b>AMORTIZATION AND DISPOSAL OF ASSETS</b>								
Amortization of tangible capital assets	4,021	17,722	64,982	56,307	-	-	258	143,290
<b>NET REVENUE</b>	<u>72,068</u>	<u>(40,999)</u>	<u>(84,632)</u>	<u>21,788</u>	<u>(16,570)</u>	<u>(248)</u>	<u>(24,917)</u>	<u>(73,510)</u>

**VILLAGE OF HUGHENDEN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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**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.

# VILLAGE OF HUGHENDEN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### e) 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.

#### 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, 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, 2016

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g) 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, 2016

### 2. CASH AND TERM DEPOSITS

	<u>2016</u>	<u>2015</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)	<b>187,369</b>	16,652
Deposits held in trust	<u>1,562</u>	<u>1,562</u>
Total restricted cash and term deposits	<u><b>188,931</b></u>	<u>18,214</u>
Unrestricted cash and term deposits surplus (deficit)	<u><b>(115,770)</b></u>	<u>(10,875)</u>

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2016</u>	<u>2015</u>
Current taxes and grants in place of taxes	<b>22,461</b>	15,598
Arrears taxes	<b>10,561</b>	11,965
Property held by the village as a result of tax forfeiture	<u>5,777</u>	<u>2,626</u>
	<b>38,799</b>	30,189
Less: allowance for doubtful accounts	<u>3,133</u>	-
	<u><b>35,666</b></u>	<u>30,189</u>

### 4. DEFERRED INCOME

Deferred income consists of the following:	<u>2016</u>	<u>2015</u>
Federal Gas Tax	-	(6,867)
Municipal Sustainability Initiative - capital	<b>187,369</b>	169,753
Prepaid property taxes	<u>6,761</u>	<u>7,003</u>
	<u><b>194,130</b></u>	<u>169,889</u>

# VILLAGE OF HUGHENDEN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 5. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Operating Encompass Credit Union Ltd.	<u>20,000</u>	<u>-</u>
Alberta Capital Finance Authority	<u>43,509</u>	<u>63,542</u>
	<u><b>63,509</b></u>	<u><b>63,542</b></u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	24,834	3,146	27,980
2018	26,232	1,747	27,979
2019	3,999	373	4,372
2020	4,119	253	4,372
2021	4,325	130	4,455
	<u><b>63,509</b></u>	<u><b>5,649</b></u>	<u><b>60,331</b></u>

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 5.625% and matures in 2018 and is secured by the credit and security of the village at large.

Operating debt due to Encompass Credit Union Ltd. bears interest at prime and matures in 2021 and is secured by the credit and security of the village at large

The village's total cash payments for interest in 2016 were \$3,574 (2015 - \$4,641).

# VILLAGE OF HUGHENDEN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 6. 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>2016</u>	<u>2015</u>
Total debt limit	<u>764,832</u>	504,881
Total debt	<u>63,509</u>	63,542
Surplus debt limit	<u>701,323</u>	<u>441,339</u>
Debt servicing limit	<u>127,472</u>	84,147
Debt servicing	<u>27,980</u>	23,607
Surplus debt servicing	<u>99,492</u>	<u>60,540</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.

### 7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 2)	<u>5,366,754</u>	5,063,703
Accumulated amortization (Schedule 2)	<u>(1,873,272)</u>	(1,729,982)
Long-term debt (Note 6)	<u>(43,509)</u>	(63,542)
	<u>3,449,973</u>	<u>3,270,179</u>

### 8. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus (deficit)	<u>(81,366)</u>	(6,691)
Equity in tangible capital assets	<u>3,449,973</u>	3,270,179
	<u>3,368,607</u>	<u>3,263,488</u>

# VILLAGE OF HUGHENDEN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 9. 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)

### 10. 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:

	2016			2015
	Salary	Benefits & Allowances	Total	Total
Griffith	2,375	-	2,375	2,610
Swelin	3,815	-	3,815	2,680
Van Koughnett	1,640	-	1,640	2,300
CAO	67,699	6,232	73,931	59,736

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.

### 11. 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.

# VILLAGE OF HUGHENDEN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

### 12. 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.

### 13. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The village has prepared its budget according to the former accounting standards that were in place prior to 2009 which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2016	2015
Excess of revenue over expenditures, per financial statements	174,819	105,119	(65,762)
Adjustments			
Amortization expense	-	143,290	133,471
Acquisition of tangible capital assets	(144,509)	(303,051)	(193,288)
Proceeds on disposition of tangible capital assets	-	-	-
Results of operations - previous methods	30,310	(54,642)	(125,579)
Net transfers (to) from reserves	-	-	88,594
Debenture issued	135,000	-	-
Debenture repaid	(155,033)	(20,033)	(18,965)
Increase (decrease) in unrestricted surplus	10,277	(74,675)	(55,950)

# VILLAGE OF HUGHENDEN

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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### 14. PRIOR PERIOD ERROR

During the year, it was determined that municipal forces could be used for grant reporting of capital expenditures, as a result, capital expenditures increased by 15,480, provincial government grants increased by 24,140, amortization increased by 387 and total accumulated surplus increased by 23,753

### 15. COMPARITIVE FIGURES

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

### 16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.