

VILLAGE OF HUGHENDEN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, 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, 2018, 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

March 26, 2019

A handwritten signature in black ink, appearing to read "Brian King".

Brian King Professional Corporation

Chartered Professional Accountant

VILLAGE OF HUGHENDEN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash (Note 2)	18,433	64,338
Taxes and grants in place of taxes (Note 3)	44,465	28,364
Trade and other receivables	17,262	13,888
Receivable from other governments	380,657	211,906
Inventory held for resale	32,672	32,672
Other financial assets	3,888	3,669
	<u>497,377</u>	<u>354,837</u>
LIABILITIES		
Accounts payable and accrued liabilities	47,550	36,821
Deposits held in trust	1,562	1,562
Deferred revenue (Note 4)	479,079	397,206
Long term debt (Note 5)	12,440	38,673
	<u>540,631</u>	<u>474,262</u>
NET FINANCIAL ASSETS (DEBT)	<u>(43,254)</u>	<u>(119,425)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>3,360,964</u>	<u>3,389,113</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>3,317,710</u>	<u>3,269,688</u>

VILLAGE OF HUGHENDEN

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (unaudited)	2018	2017
REVENUE			
Net municipal property taxes (Schedule 3)	186,110	184,856	181,679
User fees and sales of goods	183,200	183,301	166,136
Penalties and costs on taxes	9,900	8,492	9,170
Licenses and permits	800	710	725
Fines	400	390	408
Franchise and concession contracts	18,000	15,314	18,767
Investment income	250	784	279
Rentals	2,000	1,656	1,500
Government transfers for operating	72,230	53,082	39,751
Other	2,000	3,620	3,643
	474,890	452,205	422,058
EXPENSES			
Legislative	8,800	3,970	8,678
Administration	120,394	111,734	105,937
Protective services	15,557	12,107	16,615
Transportation	72,037	67,003	69,448
Water supply and distribution	90,617	85,878	79,183
Wastewater treatment and disposal	36,319	41,185	45,470
Waste management	28,659	28,520	27,664
Public health and welfare	2,060	2,060	2,208
Planning and development	16,525	6,828	681
Recreation	19,840	16,457	16,826
Culture	7,223	12,378	6,706
Amortization	-	152,054	149,541
	418,031	540,174	528,957
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	56,859	(87,969)	(106,899)
OTHER			
Government transfers for capital (Schedule 4)	-	135,991	59,223
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	56,859	48,022	(47,676)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,269,688	3,269,688	3,317,364
ACCUMULATED SURPLUS, END OF YEAR	3,326,547	3,317,710	3,269,688

VILLAGE OF HUGHENDEN

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (unaudited)	2018	2017
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>56,859</u>	<u>48,022</u>	<u>(47,676)</u>
Acquisition of tangible capital assets	-	(123,905)	(45,172)
Amortization of tangible capital assets	-	152,054	149,541
	<u>-</u>	<u>28,149</u>	<u>104,369</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	56,859	76,171	56,693
NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR	<u>(119,425)</u>	<u>(119,425)</u>	<u>(176,118)</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	<u>(62,566)</u>	<u>(43,254)</u>	<u>(119,425)</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	48,022	(47,676)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	152,054	149,541
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(16,101)	7,302
Decrease (increase) in trade and other receivables	(3,374)	(2,934)
Decrease (increase) in receivable from other governments	(168,751)	(202,202)
Decrease (increase) in inventory held for resale	-	(4,600)
Decrease (increase) in other financial assets	(219)	(89)
Increase (decrease) in accounts payable and accrued liabilities	10,729	10,010
Increase (decrease) in deferred revenue	81,873	151,833
	<u>104,233</u>	<u>61,185</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(123,905)</u>	<u>(45,172)</u>
INVESTING		
Decrease (increase) in restricted cash and term deposits	<u>95,042</u>	<u>40,172</u>
FINANCING		
Long-term debt repaid	<u>(26,233)</u>	<u>(24,836)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	49,137	31,349
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(135,664)</u>	<u>(167,013)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>(86,527)</u>	<u>(135,664)</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	18,233	64,138
Less: restricted portion of cash and term deposits (Note 2)	<u>(104,960)</u>	<u>(200,002)</u>
	<u>(86,527)</u>	<u>(135,664)</u>

VILLAGE OF HUGHENDEN

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	(97,075)	-	3,366,763	3,269,688	3,317,364
Excess (deficiency) of revenues over expenses	48,022	-	-	48,022	(47,676)
Current year funds used for tangible capital assets	(123,905)	-	123,905	-	-
Annual amortization expense	152,054	-	(152,054)	-	-
Long term debt repaid	(22,350)	-	22,350	-	-
Change in accumulated surplus	53,821	-	(5,799)	48,022	(47,676)
BALANCE, END OF YEAR	<u>(43,254)</u>	<u>-</u>	<u>3,360,964</u>	<u>3,317,710</u>	<u>3,269,688</u>

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2018	2017
COST:								
Balance - beginning of year	30,911	8,632	444,624	4,337,721	260,710	329,328	5,411,926	5,366,754
Acquisition of tangible capital assets	-	-	-	123,905	-	-	123,905	45,172
Balance - end of year	30,911	8,632	444,624	4,461,626	260,710	329,328	5,535,831	5,411,926
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	2,453	96,539	1,676,602	123,449	123,770	2,022,813	1,873,272
Annual amortization	-	258	9,817	110,610	17,182	14,187	152,054	149,541
Balance - end of year	-	2,711	106,356	1,787,212	140,631	137,957	2,174,867	2,022,813
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS								
	30,911	5,921	338,268	2,674,414	120,079	191,371	3,360,964	3,389,113
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS								
	30,911	6,179	348,085	2,661,119	137,261	205,558	3,389,113	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 3)

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	215,101	214,879	207,941
Linear property taxes	7,471	7,471	7,195
	<u>222,572</u>	<u>222,350</u>	<u>215,136</u>
REQUISITIONS			
Alberta School Foundation	33,727	34,742	30,887
Designated Industrial Levy	-	18	-
Hillcrest Lodge	2,735	2,734	2,570
	<u>36,462</u>	<u>37,494</u>	<u>33,457</u>
NET MUNICIPAL TAXES	<u>186,110</u>	<u>184,856</u>	<u>181,679</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 4)

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Federal Government	-	-	2,196
Provincial Government	69,745	53,082	37,555
Local Governments	2,485	-	-
	<u>72,230</u>	<u>53,082</u>	<u>39,751</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	33,789	14,051
Provincial Government	-	102,202	45,172
	<u>-</u>	<u>135,991</u>	<u>59,223</u>
TOTAL GOVERNMENT TRANSFERS	<u>72,230</u>	<u>189,073</u>	<u>98,974</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 5)

	Budget (Unaudited)	2018	2017
Expenditures			
Salaries, wages and benefits	208,338	193,086	169,122
Contracted and general services	102,273	91,801	102,132
Purchases from other governments	4,850	4,824	4,768
Materials, goods and utilities	76,950	69,868	74,633
Provision for allowances	-	2,025	585
Transfers to other governments	6,075	6,075	6,450
Transfers to local boards and agencies	15,198	16,217	16,355
Bank charges and short term interest	1,500	587	825
Interest on operating long term debt	490	490	600
Interest on capital long term debt	1,257	465	1,697
Other expenditures	1,100	2,682	2,249
Amortization of tangible capital assets	-	152,054	149,541
	<u>418,031</u>	<u>540,174</u>	<u>528,957</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2018 (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)	184,856	-	-	-	-	-	-	184,856
User fees and sales of goods	402	-	2,065	180,479	-	330	25	183,301
Penalties and costs on taxes	6,339	-	-	2,153	-	-	-	8,492
Licenses and permits	710	-	-	-	-	-	-	710
Fines	390	-	-	-	-	-	-	390
Franchise and concession contracts	15,314	-	-	-	-	-	-	15,314
Investment income	784	-	-	-	-	-	-	784
Rentals	1,500	-	-	156	-	-	-	1,656
Government transfers	45,345	-	-	-	-	-	2,424	47,769
Other	2,161	-	250	159	1,050	-	-	3,620
	<u>257,801</u>	<u>-</u>	<u>2,315</u>	<u>182,947</u>	<u>1,050</u>	<u>330</u>	<u>2,449</u>	<u>446,892</u>
EXPENSES								
Salaries, wages and benefits	66,427	-	37,294	79,360	-	-	10,005	193,086
Contracted and general services	33,700	709	5,895	40,373	-	6,338	4,786	91,801
Purchases from other governments	4,386	438	-	-	-	-	-	4,824
Materials, goods and utilities	5,897	3,330	23,814	35,385	-	-	1,442	69,868
Provision for allowances	2,025	-	-	-	-	-	-	2,025
Transfers to other governments	-	6,075	-	-	-	-	-	6,075
Transfers to local boards and agencies	-	1,555	-	-	2,060	-	12,602	16,217
Bank charges and short term interest	587	-	-	-	-	-	-	587
Interest on operating long term debt	-	-	-	-	-	490	-	490
Interest on capital long term debt	-	-	-	465	-	-	-	465
Other expenditures	2,682	-	-	-	-	-	-	2,682
	<u>115,704</u>	<u>12,107</u>	<u>67,003</u>	<u>155,583</u>	<u>2,060</u>	<u>6,828</u>	<u>28,835</u>	<u>388,120</u>
NET REVENUE, BEFORE AMORTIZATION	<u>142,097</u>	<u>(12,107)</u>	<u>(64,688)</u>	<u>27,364</u>	<u>(1,010)</u>	<u>(6,498)</u>	<u>(26,386)</u>	<u>58,772</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	4,023	17,722	71,461	58,590	-	-	258	152,054
NET REVENUE	<u><u>138,074</u></u>	<u><u>(29,829)</u></u>	<u><u>(136,149)</u></u>	<u><u>(31,226)</u></u>	<u><u>(1,010)</u></u>	<u><u>(6,498)</u></u>	<u><u>(26,644)</u></u>	<u><u>(93,282)</u></u>

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2. CASH AND TERM DEPOSITS

	<u>2018</u>	<u>2017</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)		
Federal Gas Tax	2,160	-
Municipal Sustainability Initiative - capital	91,238	193,440
Other deferred revenue	<u>10,000</u>	<u>5,000</u>
	<u>103,398</u>	<u>198,440</u>
Deposits held in trust	<u>1,562</u>	<u>1,562</u>
Total restricted cash and term deposits	<u>104,960</u>	<u>200,002</u>
Unrestricted cash and term deposits surplus (deficit)	<u>(86,527)</u>	<u>(135,664)</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	27,664	19,749
Arrears taxes	12,177	5,971
Property held by the village as a result of tax forfeiture	<u>9,782</u>	<u>5,777</u>
	<u>49,623</u>	<u>31,497</u>
Less: allowance for doubtful accounts	<u>5,158</u>	<u>3,133</u>
	<u>44,465</u>	<u>28,364</u>

4. DEFERRED INCOME

Deferred income consists of the following:	<u>2018</u>	<u>2017</u>
Federal Gas Tax	52,160	35,949
Municipal Sustainability Initiative - capital	405,005	345,884
Other deferred revenue	10,000	5,000
Prepaid property taxes	<u>11,914</u>	<u>10,373</u>
	<u>479,079</u>	<u>397,206</u>

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

5. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Operating Encompass Credit Union Ltd.	<u>12,440</u>	<u>16,323</u>
Alberta Capital Finance Authority	<u>-</u>	<u>22,350</u>
	<u>12,440</u>	<u>38,673</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	3,999	373	4,372
2020	4,119	253	4,372
2021	4,322	130	4,452
	<u>12,440</u>	<u>756</u>	<u>8,744</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 2018 were \$1,747 (2017 - \$3,142).

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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>2018</u>	<u>2017</u>
Total debt limit	<u>678,308</u>	633,087
Total debt	<u>12,440</u>	38,673
Surplus debt limit	<u>665,868</u>	<u>594,414</u>
Debt servicing limit	<u>113,051</u>	105,515
Debt servicing	<u>4,372</u>	27,979
Surplus debt servicing	<u>108,679</u>	<u>77,536</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>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	<u>5,535,831</u>	5,411,926
Accumulated amortization (Schedule 2)	<u>(2,174,867)</u>	(2,022,813)
Long-term debt (Note 6)	<u>-</u>	(22,350)
	<u>3,360,964</u>	<u>3,366,763</u>

8. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus (deficit)	<u>(43,254)</u>	(97,075)
Equity in tangible capital assets	<u>3,360,964</u>	3,366,763
	<u>3,317,710</u>	<u>3,269,688</u>

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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:

	2018			2017
	Salary	Benefits & Allowances	Total	Total
Chambers	-	-	-	-
Griffith A	1,850	-	1,850	525
Griffith D	-	-	-	1,125
Ruud	1,475	-	1,475	425
Swelin	-	-	-	2,100
Van Koughnett	-	-	-	900
CAO	-	-	-	43,432
CAO	72,000	18,663	90,663	30,650
Designated officer (1)	4,386	-	4,386	4,305

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, 2018

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)	2018	2017
Excess of revenue over expenditures, per financial statements	56,859	48,022	(47,676)
Adjustments			
Amortization expense	-	152,054	149,541
Acquisition of tangible capital assets	-	(123,905)	(45,172)
Results of operations - previous methods	56,859	76,171	56,693
Debenture repaid	(22,350)	(22,350)	(21,159)
Increase (decrease) in unrestricted surplus	<u>34,509</u>	<u>53,821</u>	<u>35,534</u>

14. CONTAMINATED SITES LIABILITY

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2018 (2017 – nil) as a result of this standard.

VILLAGE OF HUGHENDEN

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.