

Village of Hythe
Consolidated Financial Statements
December 31, 2019

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Management's Responsibility

To the Members of Council:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Village. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the consolidated financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Village's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

June 8, 2020



CAO

Independent Auditor's Report

To the Members of the Council of the Village of Hythe:

Opinion

We have audited the consolidated financial statements of the Village of Hythe and its subsidiaries (the "Village"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Village as at December 31, 2019, and the results of its consolidated operations, changes in its consolidated net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

Without modifying our opinion we draw attention to Note 22 to the financial statements, which indicates material uncertainty exists about matters and conditions that may cast significant doubt about the Village's ability to continue as a going concern.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements, management is responsible for assessing the Village'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 liquidate the Village or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 Village's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Village to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grande Prairie, Alberta

June 8, 2020

MNP LLP

Chartered Professional Accountants

MNP

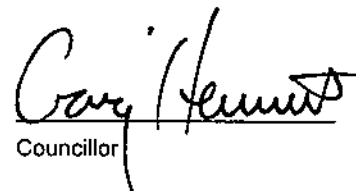
Village of Hythe
Consolidated Statement of Financial Position

As at December 31, 2019

	2019	2018
Financial assets		
Cash (Note 2)	294,192	536,379
Portfolio investments (Note 2)	687,657	962,148
Receivables		
Taxes and grants in lieu of taxes receivable (Note 3)	135,211	133,746
Trade and other accounts receivable (Note 4)	498,348	283,301
Investments (Note 5)	10	10
Funds held in trust (Note 6)	242,930	233,559
Total financial assets	1,858,348	2,149,143
Financial liabilities		
Accounts payable and accrued liabilities	123,594	132,486
Landfill liability (Note 7)	41,936	7,270
Deferred revenue (Note 8)	568,468	836,247
Trust liabilities (Note 6)	242,930	233,559
Long-term debt (Note 9)	299,795	309,200
Total financial liabilities	1,276,723	1,518,762
Net financial assets	581,625	630,381
Contingencies - See Note 18		
Subsequent event - See Note 22		
Non-financial assets		
Tangible capital assets (Schedule II)	6,003,374	5,651,637
Prepaid expenses	336	336
Total non-financial assets	6,003,710	5,651,973
Accumulated surplus (Note 12, Schedule I)	6,585,335	6,282,354

Approved by


Mayor


Councillor

The accompanying notes are an integral part of these financial statements.

Village of Hythe

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2019

	2019 <i>Budget</i>	2019	2018
Revenue			
Net municipal property taxes (Schedule III)	804,192	826,339	757,249
User fees and sales of goods	319,052	453,144	359,459
Government transfers for operating (Schedule IV)	289,407	384,073	286,196
Investment income	8,000	26,225	16,483
Penalties and costs on taxes	35,200	-	30,178
Franchise and concession contracts	95,800	97,159	80,833
Other	118,700	71,562	69,226
Total revenue	1,670,351	1,858,502	1,599,624
Expenses			
Administrative	307,657	490,035	338,428
Bylaw enforcement and fire department	157,454	164,421	196,535
Roads, streets, walk and lighting	480,649	559,550	701,063
Water and wastewater	258,760	317,861	196,923
Waste management	116,974	229,497	112,507
Family and community support	27,685	42,144	59,839
Parks and recreation	111,488	270,062	226,733
Community services	125,560	70,654	35,252
Other services	84,124	47,628	30,958
Total expenses	1,670,351	2,191,852	1,898,238
Deficiency of revenue over expenses before other items	-	(333,350)	(298,614)
Other items			
Gain on disposal of tangible capital assets	-	55,765	-
Government transfers for capital (Schedule IV)	-	580,566	79,697
	-	636,331	79,697
Excess (deficiency) of revenue over expenses	-	302,981	(218,917)
Accumulated surplus, beginning of year	6,282,354	6,282,354	6,501,271
Accumulated surplus, end of year	6,282,354	6,585,335	6,282,354

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2019

	<i>2019</i>	<i>2019</i>	<i>2018</i>
	<i>Budget</i>		
Excess (deficiency) of revenue over expenses	-	302,981	(218,917)
Acquisition of tangible capital assets	(46,000)	(647,505)	(162,074)
Proceeds on disposal of tangible capital assets	-	99,360	-
Gain on sale of tangible capital assets	-	(55,765)	-
Amortization of tangible capital assets	-	252,173	269,983
	(46,000)	(351,737)	107,909
Decrease (increase) in prepaid assets	-	-	-
Increase in net financial assets	(46,000)	(48,756)	(111,008)
Net financial assets, beginning of year	630,381	630,381	741,389
Net financial assets, end of year	584,381	581,625	630,381

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	2019	2018
Net inflow (outflow) of cash related to the following activities:		
Operating activities		
Excess of revenue over expenses	302,981	(218,917)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	252,173	269,983
Gain on disposal of tangible capital assets	(55,765)	
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(1,465)	(27,651)
Decrease (increase) in trade and other accounts receivable	(215,047)	1,943
Decrease (increase) in funds held in trust	(9,371)	(75,030)
Decrease (increase) in prepaid expenses	-	-
Increase (decrease) in accounts payable and accrued liabilities	(8,892)	42,604
Increase in landfill liability	34,666	(1,037)
Increase (decrease) in deferred revenue	(267,779)	375,069
Increase (decrease) in trust liabilities	9,371	75,030
Cash provided by operating transactions	40,872	441,994
Capital activities		
Proceeds on the sale of tangible capital assets	99,360	-
Acquisition of tangible capital assets	(647,505)	(162,074)
Cash applied to capital transactions	(548,145)	(162,074)
Financing activities		
Long-term debt repaid	(9,405)	(8,733)
Cash applied to financing transactions	(9,405)	(8,733)
Increase (decrease) in cash and portfolio investments	(516,678)	271,187
Cash and portfolio investments, beginning of year	1,498,527	1,227,340
Cash and portfolio investments, end of year (Note 2)	981,849	1,498,527

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Schedule I - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2019

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus</i>	<i>Equity in Tangible Capital Assets</i>	2019	<i>2018</i>
Balance, beginning of year	106,413	833,504	5,342,437	6,282,354	6,501,271
Excess of revenues over expenses	302,981	-	-	302,981	(218,917)
Unrestricted funds designated for future use	(34,677)	34,677	-	-	-
Current year funds used for tangible capital assets	(647,505)	-	647,505	-	-
Annual amortization expense	252,173	-	(252,173)	-	-
Disposal of tangible capital assets	43,594	-	(43,594)	-	-
Capital long term debt repaid	(9,405)	-	9,405	-	-
Change in accumulated surplus	(92,839)	34,677	361,143	302,981	(218,917)
Balance, end of year	13,574	868,181	5,703,580	6,585,335	6,282,354

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2019

	<i>Land</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery and Equipment</i>	<i>Vehicles</i>	2019	<i>2018</i>
Cost:							
Balance, beginning of year	424,043	852,588	6,758,079	908,942	453,404	9,397,057	9,234,983
Acquisition of tangible capital assets	-	30,855	547,657	68,993	-	647,505	162,074
Disposal of tangible capital assets	(5,706)	-	-	(58,290)	-	(63,996)	-
Balance, end of year	418,337	883,443	7,305,736	919,645	453,404	9,980,566	9,397,057
Accumulated amortization:							
Balance, beginning of year	-	373,021	2,670,115	528,874	173,410	3,745,420	3,475,437
Annual amortization	-	18,344	139,836	70,194	23,799	252,173	269,983
Accumulated amortization on disposals	-	-	-	(20,401)	-	(20,401)	-
Balance, end of year	-	391,365	2,809,951	578,667	197,209	3,977,192	3,745,420
Net book value of tangible capital assets	418,337	492,078	4,495,785	340,978	256,195	6,003,374	5,651,637
2018 Net book value of tangible capital assets	424,043	479,567	4,087,964	380,068	279,994	5,651,637	

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Schedule III - Schedule of Net Municipal Taxes
For the year ended December 31, 2019

	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Taxation			
Real property taxes	994,674	994,833	903,881
Linear property taxes	-	22,036	39,469
	994,674	1,016,869	943,350
Requisitions			
Alberta School Foundation Fund	187,482	187,530	183,232
Seniors foundation	3,000	3,000	2,869
	190,482	190,530	186,101
Net municipal taxes	804,192	826,339	757,249

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2019

	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Transfers for operating:			
Provincial Government	164,683	229,018	125,479
Other Local Governments	124,724	155,055	160,717
	289,407	384,073	286,196
Transfers for capital:			
Provincial Government	-	580,566	77,822
Federal Government	-		1,875
	-	580,566	79,697
Total government transfers	289,407	964,639	365,893

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Schedule V - Schedule of Consolidated Expenditures by Object
For the year ended December 31, 2019

	<i>2019 Budget</i>	<i>2019</i>	<i>2018</i>
Consolidated expenses by object			
Salaries, wages and benefits	530,013	655,250	562,851
Contracted and general services	642,644	843,253	629,428
Materials, goods and utilities	389,050	311,841	373,717
Transfers to local boards and agencies	14,122	22,993	13,329
Bank charges and short-term interest	2,500	4,446	2,411
Interest on long-term debt	-	12,631	12,988
Amortization of tangible capital assets	-	252,173	269,983
Other	62,644	89,265	33,531
	1,640,973	2,191,852	1,898,238

The accompanying notes are an integral part of these financial statements.

Village of Hythe
Schedule VI - Schedule of Segmented Disclosure

For the year ended December 31, 2019

	General Government	Protective Services	Transportation Services	Recreation & Culture	Environmental Services	Other	Total
Revenue							
Net municipal taxes	826,339	-	-	-	-	-	826,339
Government transfers	815,127	105,869	-	43,643	-	-	964,639
User fees and sales of goods	1,955	5,937	-	30,310	403,973	10,969	453,144
Investment income	-	-	-	-	-	26,225	26,225
Other revenue	153,674	-	-	33,469	-	37,343	224,486
	1,797,095	111,806	-	107,422	403,973	74,537	2,494,833
Expenses							
Contract & general services	240,225	70,033	101,201	112,337	295,125	24,332	843,253
Salaries & wages	223,228	-	176,442	150,656	48,523	56,401	655,250
Goods & supplies	23,703	46,794	154,562	33,626	44,311	8,845	311,841
Transfers to local boards	2,020	1,640	-	8,111	-	11,222	22,993
Long-term debt interest	-	-	-	-	12,631	-	12,631
Other expenses	8,097	16,533	154	-	36,695	32,232	93,711
	497,273	135,000	432,359	304,730	437,285	133,032	1,939,679
Excess (deficiency) of revenue over expenses, before amortization	1,299,822	(23,194)	(432,359)	(197,308)	(33,312)	(58,495)	555,154
Amortization expense	8,354	29,420	127,191	3,767	83,441	-	252,173
Excess (deficiency) of revenue over expenses	1,291,468	(52,614)	(559,550)	(201,075)	(116,753)	(58,495)	302,981

The accompanying notes are an integral part of these financial statements.

1. Summary of significant accounting policies

The consolidated financial statements of the Village of Hythe (the "Village") are the representations of management prepared in accordance with Canadian public sector accounting standards as 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 of Hythe are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, and expenses and changes 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 and are, therefore, accountable to the Council for administration of their financial affairs and resources. They include the following:

West Grande Prairie County Solid Waste Management Authority - 15% (2018 - 15%)
Hythe Municipal Library - 100% (2018 - 100%)

The schedule of taxes levied also includes requisitions for education, health, social and seniors foundations that are not part of the Village's reporting entity.

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

Government partnership

The Village has entered into an agreement with the Town's of Wembley, Beaverlodge, Sexsmith and the County of Grande Prairie No. 1 to construct, operate and maintain a regional collection, transfer and disposal of garbage facilities for the benefit of all participating municipalities under the name of West Grande Prairie County Solid Waste Management Authority. The government partnership is accounted for using proportionate consolidation. Under proportionate consolidation, only the Village's interest 15% (2018 - 15%) in the government partnership is included in the consolidated financial statements.

Basis of Accounting

The consolidated 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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 expenses during the period.

1. Summary of significant accounting policies (continued)

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts as provided where necessary. Amortization is based on the estimated lives of tangible capital assets.

Expenses that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration. Annual provisions for these costs are amortized on a straight-line basis over 25 years.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

Investments

Investments are recorded at amortized cost, except investments in government business entities explained below. 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.

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Employee future benefits

Selected employees of the Village are members of the Local Authority Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Village does not recognize its share of any plan surplus or deficit.

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.

Requisition Over-levy and Under-levy

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

1. Summary of significant accounting policies (continued)

Tax Revenue

Tax revenue is 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.

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Village 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 vision inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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 revenue 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:

	<u>YEARS</u>
Buildings	25-50
Land Improvements	15-25
Engineered structures	
Water and wastewater system	45-75
Other engineered structures	3-30
Machinery and equipment	3-20
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and none 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. Cultural and historical tangible capital assets

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

Financial Instruments

The Village recognizes its financial instruments when the Village becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management.

Village of Hythe
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1. Summary of significant accounting policies (continued)

At initial recognition, the Village may irrevocably elect to subsequently measure any financial instrument at fair value. The Village has not made such an election during the year.

The Village subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those designated in a qualifying hedging relationship or that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus (loss). Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

2. Cash and portfolio investments

	2019	2018
Cash	294,192	536,379
Portfolio investments	687,658	962,148
	981,850	1,498,527

Cash and portfolio investments in the amount of \$362,061 (2018 - \$836,247) are externally restricted for deferred revenue (Note 8), the remaining balance of \$204,306 (2018 - \$nil) of deferred revenue is included in accounts receivable (Note 4).

Included in portfolio investments are \$379,063 (\$281,062), representing the Village's share of portfolio investments held in trust by the County of Grande Prairie No. 1 on behalf of West Grande Prairie County Solid Waste Management Authority (Note 17). Of these portfolio investments, \$41,936 (2018 - \$7,270) are internally restricted for landfill closure and post closure liability (Note 7), with the remaining balance of \$337,127 (2018 - \$273,792) designated towards reserves of \$403,635 (2018 - 368,958) (Note 13).

The remaining cash and portfolio investment balance of \$240,726 (2018 - \$381,218) is internally designated towards reserves of \$464,546 (2018 - \$464,546) (Note 13).

3. Taxes and grants in lieu of taxes receivable

	2019	2018
Current taxes and grants in lieu of taxes	70,441	59,839
Arrears taxes	64,770	73,907
	135,211	133,746

Village of Hythe
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

4. Trade and other accounts receivable

	2019	2018
Trade and other receivables	243,394	257,618
GST receivable	42,616	16,139
Receivable from other governments	214,695	10,389
Less: allowance for doubtful accounts	(2,356)	(845)
	498,349	283,301

5. Investments

	2019	2018
Alberta Municipal Finance Corporation - 1 share	10	10

6. Trust Liabilities

Trust liabilities include funds designated for the Village of Hythe Fire Department of \$240,175 (2018 - \$230,874) and the Hythe Figure Skating Club \$2,755 (2018 - \$2,685).

The designated fire department funds can be used at the discretion of the volunteer fire department and are recognized as revenue and expenses when a withdrawal from the cash balance is authorized by the volunteer fire department.

The Hythe Figure Skating Club disbanded during the 2013 year. The funds were transferred to the Village of Hythe, where they must remain for seven years. If after this time period, the organization has not re-established, the funds will be available for use for the Hythe Athletic Association.

7. Landfill closure and post-closure liability

Alberta environment law requires closure and post closure care of landfill sites, which also includes final covering and landscaping, pumping of the ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

The accrued liability for closure and post-closure of the West Grande Prairie County Solid Waste Management Authority landfill is estimated based on the sum of future cash flows for closure and post-closure activities for 25 years (2018 - 25 years) after closure using a discount rate of 2.71% (2018 - 3.37%) and assuming annual inflation of 2.10% (2018 - 2%).

The accrued liability portion is based on the cumulative capacity used at year-end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 952,000 cubic meters. The estimated remaining capacity of the landfill site is 1,133,384 (2018 - 762,974) cubic meters. The existing landfill is expected to reach capacity in approximately the year 2116 (2018 - 2092).

	2019	2018
Estimated closure costs	171,246	32,356
Estimated post-closure costs	107,235	4,176
Estimated total liability	278,481	36,531
Estimated capacity remaining	84.9%	80.1%
Portion of total liability remaining to be recognized	236,560	36,531
Estimated capacity used	15.1%	19.9%
Accrued liability portion	41,936	7,270

Village of Hythe
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

8. Deferred revenue	2019	2018
Municipal Sustainability Initiative - Capital		
Balance beginning of year	544,051	306,938
Funding receivable	204,306	314,935
Interest adjustment	1,924	-
Funding recognized as spent	(512,025)	(77,822)
Amount deferred	238,256	544,051
Federal Gas Tax Fund - Infrastructure		
Balance beginning of year	199,076	150,951
Funding received	100,000	50,000
Interest adjustment	177	-
Funding recognized as spent	(68,541)	(1,875)
Amount deferred	230,712	199,076
Alberta Community Partnership Grant		
Balance beginning of year	93,120	-
Funding received	36,121	93,120
Funding recognized as spent	(90,741)	-
Amount deferred	38,500	93,120
Development Project Grant		
Balance beginning of year	-	-
Funding received	20,000	-
Funding recognized as spent	-	-
Amount deferred	20,000	-
Recreation Grant		
Balance beginning of year	-	-
Funding received	50,000	-
Funding recognized as spent	(9,000)	-
Amount deferred	41,000	-
	568,468	836,247
9. Long-term debt		
	2019	2018
Unsecured term loan bearing interest at 4.085% (2018 - 4.085%) per annum, repayable in blended annual instalments, due 2036	299,795	309,200

Village of Hythe
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

9. Long-term debt (continued)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	10,108	12,247	22,355
2021	10,845	11,834	22,679
2022	11,617	11,391	23,008
2023	12,425	10,916	23,341
2024	13,272	10,409	23,681
2025 and thereafter	241,528	70,960	312,488
	299,795	127,757	427,552

Interest on long-term debt amounted to \$12,631 (2018 - \$12,988), all of which was paid during the year.

10. 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 Hythe be disclosed as follows:

10. Debt limits (continued)

	2019	2018
Total debt limit	2,787,753	2,399,436
Total debt	299,795	309,200
Amount of debt limit unused	2,487,958	2,090,236
Debt servicing limit	464,626	399,906
Debt servicing	22,355	22,036
Amount of debt servicing limit unused	442,271	377,870

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 a 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.

11. Equity in tangible capital assets

	2019	2018
Tangible capital assets (Schedule II)	9,980,566	9,397,057
Accumulated amortization (Schedule II)	(3,977,192)	(3,745,420)
Long-term debt (Note 9)	(299,795)	(309,200)
	5,703,580	5,342,437

Village of Hythe
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

12. Accumulated surplus

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

	<i>2019</i>	<i>2018</i>
Unrestricted surplus	13,603	106,413
Equity in tangible capital assets (Note 11)	5,703,580	5,342,437
Restricted surplus (Note 13)	868,181	833,504
	6,585,335	6,282,354

13. Reserves

Reserves consist of operating & capital amounts as follows:

	<i>2019</i>	<i>2018</i>
Restricted surplus		
Cemetery	6,550	6,550
Ice plant	10,610	10,610
Land	95,000	95,000
Landfill	403,635	368,958
Operating contingency	352,386	352,386
	868,181	833,504

14. Segmented disclosure

The Village of Hythe provides a range of services to its ratepayers. For each reported segment, revenue 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 VI).

Included in the General Government segment is Administration. Included in the Protective Services segment is Bylaw Enforcement. Included in the Transportation Services segment is Roads, Streets, Walk and Lighting. Included in the Environmental Services segment is Water and Waste Management. Included in the Other segment is Family and Community Support as well as Other Services.

15. Local Authorities Pension Plan

Employees of the Village participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 275,000 people and 420 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current service contributions are recorded as expenditures in the year in which they become due.

15. Local Authorities Pension Plan (continued)

The Village is required to make contributions for current service to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2019 were \$20,984 (2018 - \$20,755). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2019 were \$19,006 (2018 - \$18,844).

At December 31, 2018, the LAPP disclosed a surplus of \$3.5 billion (2017 - surplus of \$4.8 billion). The 2019 LAPP annual report was not available at the date of these financial statements.

16. Salary and benefits disclosure

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

	Salary ¹	Benefits & allowances ²	2019	2018
Councillors:				
L. Sipe	-	-	-	640
G. Nicholson	-	-	-	2,285
S. Miller	1,710	-	1,710	-
E. Smith	1,140	-	1,140	2,102
B. Guise	1,800	-	1,800	1,005
C. Hewitt	2,070	-	2,070	2,376
B. Peterson	1,980	-	1,980	2,285
C.A.O.				
G. Gayton	36,182	5,678	41,860	87,105
L. Hanson	85,527	14,211	99,738	-

16. Salary and benefits disclosure (continued)

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 and long and short-term disability plans.

17. Government partnership

The consolidated financial statements include the accounts of the Village and its proportionate share of its government partnership. The Village entered into a government partnership to provide landfill disposal services to the Village and surrounding area. The Village holds a 15% interest in the West Grande Prairie County Solid Waste Management Authority, which is accounted for using the proportionate consolidation method.

Village of Hythe
Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

17. Government partnership (continued)

The following is a summary of condensed supplementary information related to the Village's proportionate share in West Grande Prairie County Solid Waste Management Authority for the year ended December 31, 2019:

	2019	2018
Financial Position:		
Financial assets	456,155	388,341
Physical assets	345,240	350,880
Total assets	801,395	739,221
Financial liabilities	47,184	13,908
Accumulated surplus	754,211	725,313
Results of Operations:		
Total revenue	149,803	135,670
Total expenses	120,905	80,792
Excess of revenue over expenses	28,898	54,878

18. 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.

19. Financial Instruments

The Village's financial instruments consist of cash and portfolio investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, 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 and grants in place of taxes receivables and trade and other accounts 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.

20. Approval of financial statements

Council and Management have approved these financial statements.

21. Budget information

The disclosed budget information was approved by council on May 6, 2019.

22. Subsequent events

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had significant impact on businesses and the economy through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Town of Sexsmith as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause staff shortages and increased government regulations, all of which may negatively impact the Town of Sexsmith's operations and funding from the government.

Subsequent to year-end the Village submitted a request to Alberta Municipal Affairs to conduct a viability review of the sustainability of the Village. Based on the results of the viability review the Village will either continue its municipal operations, or bring forward a vote to citizens on whether or not to dissolve the Village and amalgamate with the County of Grande Prairie No. 1. At the date of approval of these financial statements the expected outcome of this matter cannot be determined.