

Village of Hythe
Consolidated Financial Statements
June 30, 2021

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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.

April 27, 2022



CAO

To the Members of the Council of the County of Grande Prairie No. 1:

Qualified 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 June 30, 2021, and the consolidated statements of operations, accumulated operating surplus, changes in net financial assets and cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter(s) described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Village as at June 30, 2021, and the results of its consolidated operations, changes in its consolidated net debt, changes in its consolidated net financial assets and its consolidated cash flows for the period then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Audited financial statements for West Grande Prairie County Solid Waste Management Authority for the period of January 1, 2021 to June 30, 2021 were not available. As a result, no amounts have been recognized in the revenues, expenses, excess (deficiency) of revenue over expense, changes in net financial assets, or cash flows for the period ended June 30, 2021. The amounts recorded in the assets, liabilities, net financial assets and accumulated surplus as at June 30, 2021 are the balances from December 31, 2020. We were unable to determine the adjustments required to these financial statement items.

The Village was unable to provide sufficient appropriate audit evidence regarding the existence and amount of a reclamation liability related to the old sewer lagoon. No amount has been recognized in these financial statements related to this liability. As a result, we were unable to determine whether adjustments to liabilities, net financial assets and accumulated surplus were required at January 1, 2020, December 31, 2020 and June 30, 2021. Further, we were unable to determine whether adjustments to expenses, excess (deficiency) of revenue over expense, changes in net financial assets and cash flows for the periods ended December 31, 2020 and June 30, 2021 were required.

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 qualified opinion.

Emphasis of Matter - Dissolution into County of Grande Prairie No. 1

Without modifying our opinion we draw attention to Note 24 to the financial statements, which indicates the Village of Hythe amalgamated into the County of Grande Prairie No.1 effective July 1, 2021.

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

April 27, 2022

MNP LLP

Chartered Professional Accountants

Village of Hythe
Consolidated Statement of Financial Position

For the 6 month period ending June 30, 2021

	30-Jun-21	31-Dec-20
Financial assets		
Cash (Note 2)	270,797	1,179,453
Portfolio investments (Note 2)	424,931	424,815
Receivables		
Taxes and grants in lieu of taxes receivable (Note 3)	748,105	145,388
Trade and other accounts receivable (Note 4)	750,417	447,294
Investments (Note 5)	10	10
Advances to related party (Note 8)	36,499	-
Funds held in trust (Note 6)	41,046	147,374
Total financial assets	2,271,805	2,344,334
Financial liabilities		
Accounts payable and accrued liabilities	210,025	162,515
Landfill liability (Note 7)	54,419	54,419
Deferred revenue (Note 9)	659,673	237,670
Trust liabilities (Note 6)	43,681	150,009
Long-term debt (Note 11)	1,179,167	1,189,686
Total financial liabilities	2,146,965	1,794,299
Net financial assets (liabilities)	124,840	550,035
Contingencies - Note 20		
Subsequent event - Note 24		
Non-financial assets		
Tangible capital assets (Schedule II)	6,695,568	6,570,219
Inventory	150	
Prepaid expenses	11,678	336
Total non-financial assets	6,707,396	6,570,555
Accumulated surplus (Note 14, Schedule I)	6,832,237	7,120,590



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

Village of Hythe

Consolidated Statement of Operations and Accumulated Surplus

For the 6 month period ending June 30, 2021

	30-Jun-21	31-Dec-20
	6 months	12 months
Revenue		
Net municipal property taxes (Schedule III)	380,391	827,493
User fees and sales of goods	177,695	537,853
Government transfers for operating (Schedule IV)	272,432	440,310
Investment income	2,330	16,266
Penalties and costs on taxes	33,857	30,908
Franchise and concession contracts	59,639	112,492
Other	49,977	141,385
Total revenue	976,321	2,106,707
Expenses		
Administrative	356,947	396,535
Bylaw enforcement and fire department	130,560	150,325
Roads, streets, walk and lighting	279,857	563,845
Water and wastewater	238,477	355,049
Waste management	69,619	236,120
Family and community support	47,788	62,650
Parks and recreation	242,998	226,251
Community services	79,108	87,821
Other services	32,237	136,203
Total expenses	1,477,591	2,214,799
Deficiency of revenue over expenses before other items	(501,270)	(108,092)
Other items		
Loss on disposal of tangible capital assets	(69,568)	(84,907)
Government transfers for capital (Schedule IV)	282,335	728,254
	212,767	643,347
Excess (deficiency) of revenue over expenses	(288,503)	535,255
Accumulated surplus, beginning of period	7,120,590	6,585,335
Contributed inventory	150	-
Accumulated surplus, end of period	6,832,237	7,120,590

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

Village of Hythe
Consolidated Statement of Change in Net Financial Assets

For the 6 month period ended June 30, 2021

	30-Jun-21	31-Dec-20
	6 months	12 months
Excess (deficiency) of revenue over expenses	(288,503)	535,255
Acquisition of tangible capital assets	(358,072)	(963,169)
Proceeds on disposal of tangible capital assets	85,262	21,729
Loss on sale of tangible capital assets	69,568	84,907
Amortization of tangible capital assets	131,397	289,598
Amortization adjustment on Fibre Optik project	(1,698)	-
Impact of asset additions for Tri-Municipal agreement	(51,807)	-
Increase of prepaids	(11,342)	-
	(136,692)	(566,935)
Increase in net financial assets	(425,195)	(31,680)
Net financial assets, beginning of period	550,035	581,625
Net financial assets, end of period	124,840	550,035

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

Village of Hythe
Consolidated Statement of Cash Flows
For the 6 month period ended June 30, 2021

	30-Jun-21	31-Dec-20
Net inflow (outflow) of cash related to the following activities:		
Operating activities		
Excess of revenue over expenses	(288,503)	535,255
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	129,699	289,598
Impact of asset additions for Tri-Municipal agreement	(51,807)	-
Loss on disposal of tangible capital assets	69,568	84,907
Non-cash changes to operations (net change):		
Decrease in taxes and grants in lieu receivable	(602,717)	(10,177)
Decrease (increase) in trade and other accounts receivable	(303,123)	51,054
Decrease in funds held in trust	106,328	95,556
Decrease in prepaid expenses	(11,342)	-
Increase in accounts payable and accrued liabilities	47,510	38,921
Increase in landfill liability	-	12,483
Increase (decrease) in deferred revenue	422,003	(330,798)
Decrease in trust liabilities	(106,328)	(92,921)
Cash provided by operating transactions	(588,712)	673,878
Capital activities		
Proceeds on the sale of tangible capital assets	85,262	21,729
Acquisition of tangible capital assets	(358,072)	(963,169)
Cash applied to capital transactions	(272,810)	(941,440)
Financing activities		
Advances to related party	(36,499)	-
Long term debt acquired	-	900,000
Long-term debt repaid	(10,519)	(10,109)
Cash received from (applied to) financing transactions	(47,018)	889,891
Increase (decrease) in cash and portfolio investments	(908,540)	622,329
Cash and portfolio investments, beginning of period	1,604,268	981,849
Cash and portfolio investments, end of period (Note 2)	695,728	1,604,268

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

Village of Hythe
Schedule I - Schedule of Changes in Accumulated Surplus
For the 6 month period ended June 30, 2021

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus</i>	<i>Equity in Tangible Capital Assets</i>	30-Jun-21	<i>31-Dec-20</i>
Balance, beginning of period	852,096	887,962	5,380,532	7,120,590	(6,585,335)
Deficiency of revenues over expenses	(288,503)			(288,503)	(535,255)
Unrestricted funds designated for future use	-			-	-
Contributed inventory	150			150	-
Current year funds used for tangible capital assets	(392,031)		392,031	-	-
Net book value of Tri-Municipal funded tangible capital assets	(51,807)		51,807	-	-
Annual amortization expense	131,397		(131,397)	-	-
Amortization adjustment on Fibre Optik project	(1,698)		1,698	-	-
Disposal of tangible capital assets	188,789		(188,789)	-	-
Capital long term debt repaid	(10,520)		10,520	-	-
Change in accumulated surplus	(424,223)	-	135,869	(288,353)	(535,255)
Balance, end of period	427,873	887,962	5,516,401	6,832,237	(7,120,590)

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

Village of Hythe
Schedule II - Schedule of Tangible Capital Assets
For the 6 month period ended June 30, 2021

	<i>Land</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery and Equipment</i>	<i>Vehicles</i>	30-Jun-21	<i>31-Dec-20</i>
Cost:							
Balance, beginning of period	404,516	890,533	8,163,645	853,833	445,905	10,758,432	9,980,566
Opening balance adjustment	-	-	(33,959)	99,834	15,292	81,167	-
Acquisition of tangible capital assets	-	169,239	199,551	23,241	-	392,031	963,169
Disposal of tangible capital assets	-	-	-	(327,292)	(40,104)	(367,396)	(185,303)
Balance, end of period	404,516	1,059,772	8,329,237	649,616	421,093	10,864,234	10,758,432
Accumulated amortization:							
Balance, beginning of period	-	382,529	2,998,932	593,245	213,508	4,188,214	3,977,192
Opening balance adjustment	-	-	-	54,909	8,411	63,320	-
Annual amortization	-	10,588	95,551	12,968	10,592	129,699	289,598
Accumulated amortization on disposals	-	-	-	(179,109)	(33,457)	(212,566)	(78,576)
Balance, end of period	-	393,117	3,094,483	482,013	199,054	4,168,667	4,188,214
Net book value of tangible capital assets	404,516	666,655	5,234,754	167,603	222,039	6,695,568	6,570,219
2020 Net book value of tangible capital assets	404,516	508,004	5,164,713	260,588	232,397	6,570,219	

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

Village of Hythe
Schedule III - Schedule of Net Municipal Taxes
For the 6 month period ended June 30, 2021

	<i>30-Jun-21</i> <i>6 months</i>	<i>31-Dec-20</i> <i>12 months</i>
Taxation		
Real property taxes	459,096	999,239
Linear property taxes	19,769	22,355
	478,865	1,021,594
Requisitions		
Alberta School Foundation Fund	95,488	190,976
Seniors foundation	2,986	3,125
	98,474	194,101
Net municipal taxes	380,391	827,493

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

Village of Hythe
Schedule IV - Schedule of Government Transfers
For the 6 month period ended June 30, 2021

	30-Jun-21 6 months	31-Dec-20 12 months
Transfers for operating:		
Provincial Government	172,565	287,544
Other Local Governments	99,867	152,766
	272,432	440,310
Transfers for capital:		
Provincial Government	282,335	728,254
Federal Government	-	-
	282,335	728,254
Total government transfers	554,767	1,168,564

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

Village of Hythe

Schedule V - Schedule of Consolidated Expenditures by Object

For the 6 month period ended June 30, 2021

	<i>30-Jun-21</i>	<i>31-Dec-20</i>
	<i>6 months</i>	<i>12 months</i>
Consolidated expenses by object		
Salaries, wages and benefits	516,084	667,088
Contracted and general services	431,627	788,951
Materials, goods and utilities	204,030	290,987
Transfers to local boards and agencies	138,098	17,748
Bank charges and short-term interest	1,062	2,901
Interest on long-term debt	10,298	12,247
Amortization of tangible capital assets	129,699	289,598
Other	46,693	145,279
	1,477,591	2,214,799

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

Village of Hythe
Schedule IV - Schedule of Segmented Disclosure
For the 6 month period ended June 30, 2021

	General Government	Protective Services	Transportation Services	Recreation & Culture	Environmental Services	Other	Total
Revenue							
Net municipal taxes	380,391	-	-	-	-	-	380,391
Government transfers	456,638	53,446	-	44,683	-	-	554,767
User fees and sales of goods	1,298	3,411	-	978	170,084	1,924	177,695
Investment income	-	-	-	-	-	2,330	2,330
Other revenue	23,928	-	-	8,278	-	41,698	73,904
	862,255	56,857	-	53,939	170,084	45,952	1,189,087
Expenses							
Contract & general services	154,239	67,958	25,649	69,181	110,062	4,539	431,628
Salaries & wages	157,805	-	110,026	107,953	75,043	65,256	516,083
Goods & supplies	8,844	43,301	73,928	18,320	58,240	1,397	204,030
Transfers to local boards	8,360	4,238	-	87,000	-	38,500	138,098
Long-term debt interest	-	-	10,298	-	-	-	10,298
Other expenses	17,786	-	-	210	1,807	27,952	47,755
	347,034	115,497	219,901	282,664	245,152	137,644	1,347,892
Excess (deficiency) of revenue over expenses, before amortization	515,221	(58,640)	(219,901)	(228,725)	(75,068)	(91,692)	(158,805)
Amortization expense	15,195	15,062	59,291	3,392	36,759	-	129,699
Excess (deficiency) of revenue over expenses	500,026	(73,702)	(279,192)	(232,117)	(111,827)	(91,692)	(288,504)

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% (2020 - 15%)
Hythe Municipal Library - 100% (2020 - 100%)
Hythe Net-Co Partnership - 70% (2020 - 70%)

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% (2020 - 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.

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.

1. Summary of significant accounting policies (continued)

Measurement uncertainty (use of estimates) (continued)

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.

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.

1. Summary of significant accounting policies (continued)

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.

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.

1. Summary of significant accounting policies (continued)

Financial Instruments (continued)

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.

Impact on operations of COVID-19 (coronavirus)

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Village's operations were impacted by COVID-19 due to closure of operations, cancellation of events, lay-off of staff, etc. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Village 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.

2. Cash and portfolio investments

	30-Jun-21	31-Dec-20
Cash	270,797	1,179,453
Portfolio investments	424,931	424,815
	695,728	1,604,268

Cash and portfolio investments in the amount of \$180,808 (2020 - \$237,670) are externally restricted for deferred revenue (Note 8), the remaining balance of \$478,865 (2020 - \$nil) of deferred revenue is included in accounts receivable (Note 4).

Included in portfolio investments are \$387,737 (2020 - \$387,737), 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 19). Of these portfolio investments, \$54,419 (2020 - \$54,419) are internally restricted for landfill closure and post closure liability (Note 7), with the remaining balance of \$333,318 (2020 - \$333,318) designated towards reserves of \$423,416 (2020 - \$423,416) (Note 15).

The remaining cash and portfolio investment balance of \$460,500 (2020 - \$828,545) is internally designated towards reserves of \$464,546 (2020 - \$464,546) (Note 15).

Portfolio investments accrue interest monthly at 0.0065% (2020 - 0.0067%) to and are short-term deposits with maturity dates of December 31, 2021.

The Village has access to credit of \$650,000 (2020 - \$650,000), of which \$nil (2020 - \$nil) was drawn at year end. Advanced amounts bear interest at prime plus 1.00% (2020 - 1.00%).

Village of Hythe
Notes to the Financial Statements
For the 6 month period ending June 30, 2021

3. Taxes and grants in lieu of taxes receivable	30-Jun-21	30-Dec-20
Current taxes and grants in lieu of taxes	650,447	90,026
Arrears taxes	97,658	55,362
	748,105	145,388

4. Trade and other accounts receivable	30-Jun-21	30-Dec-20
Trade and other receivables	258,521	259,603
GST receivable	40,076	51,127
Receivable from other governments	488,565	173,309
Less: allowance for doubtful accounts	(36,745)	(36,745)
	750,417	447,294

5. Investments	2020	2019
Alberta Municipal Finance Corporation - 1 share	10	10

6. Trust Liabilities

Trust liabilities include funds designated for the Village of Hythe Fire Department of \$41,046 (2020 - \$147,374).

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.

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 (2020 - 25 years) after closure using a discount rate of 2.41% (2020 - 2.41%) and assuming annual inflation of 2.00% (2020 - 2.00%).

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 1,334,226 cubic meters. The estimated remaining capacity of the landfill site is 1,119,214 (2020 - 1,119,214) cubic meters. The existing landfill is expected to reach capacity in approximately the year 2116 (2020 - 2116).

	30-Jun-21	31-Dec-20
Estimated closure costs	204,598	204,598
Estimated post-closure costs	132,469	132,469
Estimated total liability	337,067	337,067
Estimated capacity remaining	83.9%	83.9%
Portion of total liability remaining to be recognized	282,665	282,665
Estimated capacity used	16.1%	16.1%
Accrued liability portion	54,419	54,419

Village of Hythe
Notes to the Financial Statements
For the 6 month period ending June 30, 2021

8. Advances to Related Party

30-Jun-21 31-Dec-20

Hythe-Net Co., the company is owned by directors of the Village,
balance is non-interest bearing and due on demand

36,499 -

9. Deferred revenue

30-Jun-21 31-Dec-20

Municipal Sustainability Initiative - Capital

Balance beginning of year	-	238,256
Funding received / receivable	-	252,167
Interest adjustment	-	-
Funding recognized as spent	-	(490,423)
Amount deferred	-	-

Federal Gas Tax Fund - Infrastructure

Balance beginning of year	143,077	230,712
Funding received	100,000	50,000
Interest adjustment	6,525	-
Funding recognized as spent	(100,000)	(137,635)
Amount deferred	149,602	143,077

Alberta Community Partnership Grant

Balance beginning of year	18,104	38,500
Funding received	-	-
Funding recognized as spent	(10,395)	(20,396)
Amount deferred	7,709	18,104

Development Project Grant

Balance beginning of year	7,500	20,000
Funding received	-	-
Funding recognized as spent	-	(12,500)
Amount deferred	7,500	7,500

Emergency Measures Grant

Balance beginning of year	-	-
Funding received	-	80,437
Funding recognized as spent	-	(80,437)
Amount deferred	-	-

MOST Grant

Balance beginning of year	63,741	-
Funding received	-	88,741
Funding recognized as spent	(63,741)	(25,000)
Amount deferred	-	63,741

Provincial FCSS Grant

Balance beginning of year	1,948	-
Funding received	9,740	25,203
Funding recognized as spent	(11,688)	(23,255)
Amount deferred	-	1,948

Mental Health Grant

Balance beginning of year	3,300	-
Funding received	-	5,300
Funding recognized as spent	-	(2,000)
Amount deferred	3,300	3,300

Village of Hythe
Notes to the Financial Statements
For the 6 month period ending June 30, 2021

9. Deferred revenue (continued)

Canada Summer Jobs Grant

Balance beginning of year	-	-
Funding received	25,195	-
Funding recognized as spent	(12,498)	-
Amount deferred	12,697	-

Recreation Grant

Balance beginning of year	-	41,000
Funding received	-	10,000
Funding paid back	-	(14,295)
Funding recognized as spent	-	(36,705)
Amount deferred	-	-

Property Tax

Balance beginning of year	-	-
Property taxes receivable - January 1 to December 31, 2021	957,730	-
Property taxes earned - January 1 to June 30, 2021	(478,865)	-
Amount deferred	478,865	-

659,673 237,670

10. Related Party Transactions

Included in contracted and general service expense for the year is \$nil (2020 - \$12,050) paid to a council member of the Village of Hythe for weed control and mowing services in the year. The transactions were made in the normal course of operations with standard trade terms and conditions and, as such, they are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in capital asset proceeds for the year is \$nil (2020 - \$10,300) received from a council member of the Village of Hythe for the sale of land in the year.

11. Long-term debt	30-Jun-21	31-Dec-20
Unsecured term loan bearing interest at 2.414% (2020 - 2.414%), repayable in blended semi annual instalments of \$10,584 (2020 - \$10,584), due 2050	444,848	450,000
Unsecured term loan bearing interest at 2.163% (2020 - 2.163%), repayable in blended semi annual instalments of \$10,234 (2020 - \$10,234), due 2050	444,633	450,000
Unsecured term loan bearing interest at 4.085% (2020 - 4.085%) per annum, repayable in blended annual instalments of \$10,108 (2020 - \$10,108), due 2036	289,686	289,686
	1,179,167.00	1,189,686.00

Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	21,485	22,012	43,497
2022	33,263	31,381	64,644
2023	34,569	30,408	64,977
2024	35,924	29,392	65,316
2025	37,331	28,328	65,659
2026 and thereafter	1,016,595	323,057	1,339,652
	1,179,167	464,578	1,643,745

Interest on long-term debt amounted to \$10,298 (2020 - \$12,247), all of which was paid during the year.

Village of Hythe
Notes to the Financial Statements
For the 6 month period ending June 30, 2021

12. 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:

	<i>30-Jun-21</i>	<i>31-Dec-20</i>
Total debt limit	1,464,482	3,160,061
Total debt	1,179,167	1,189,686
Amount of debt limit unused	285,315	1,970,375
Debt servicing limit	244,080	526,677
Debt servicing	43,497	64,315
Amount of debt servicing limit unused	200,583	462,362

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.

13. Equity in tangible capital assets

	<i>30-Jun-21</i>	<i>31-Dec-20</i>
Tangible capital assets (Schedule II)	10,864,234	10,758,432
Accumulated amortization (Schedule II)	(4,168,667)	(4,188,214)
Long-term debt (Note 10)	(1,179,167)	(1,189,686)
	5,516,400	5,380,532

14. Accumulated surplus

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

	<i>30-Jun-21</i>	<i>31-Dec-20</i>
Unrestricted surplus	427,873	852,096
Equity in tangible capital assets (Note 13)	5,516,400	5,380,532
Restricted surplus (Note 15)	887,962	887,962
	6,832,237	7,120,590

15. Reserves

Reserves consist of operating & capital amounts as follows:

	<i>30-Jun-21</i>	<i>31-Dec-20</i>
Restricted surplus		
Cemetery	6,550	6,550
Ice plant	10,610	10,610
Land	95,000	95,000
Landfill	423,416	423,416
Operating contingency	352,386	352,386
	887,962	887,962

Village of Hythe
Notes to the Financial Statements
For the 6 month period ending June 30, 2021

16. 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.

17. 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.

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 2021 were \$16,787 (2020 - \$26,263). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2021 were \$6,140 (2020 - \$23,803).

At December 31, 2020, the LAPP disclosed a surplus of \$5.0 billion (2019 - surplus of \$7.9 billion). The 2021 LAPP annual report was not available at the date of these financial statements.

18. 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	30-Jun-21	31-Dec-20
Councillors:				
S. Miller	603	-	603	1,710
E. Smith	603	-	603	1,140
B. Guise	603	-	603	1,800
C. Hewitt	482	-	482	2,070
B. Peterson	603	-	603	1,980
C.A.O.				
C. Lockhart	7,500	497	7,997	-
L. Hanson	53,544	10,328	63,872	131,757

¹ Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Village of Hythe
Notes to the Financial Statements
For the 6 month period ending June 30, 2021

18. Salary and benefits disclosure (continued)

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.

19. 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.

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 6 month period ended June 30, 2021:

	<i>30-Jun-21</i>	<i>31-Dec-20</i>
Financial Position:		
Financial assets	495,524	495,524
Physical assets	312,881	312,881
Total assets	808,405	808,405
Financial liabilities	67,010	67,010
Accumulated surplus	741,395	741,395

Results of Operations:

Total revenue	-	125,453
Total expenses	-	138,268
Deficit of revenue over expenses	-	(12,815)

20. 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.

21. 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.

22. Commitments

The Village entered into a new commitment agreement in the year for equipment rental. Future payments are as follows:

2021	\$7,101
2022	\$14,203
2023	\$2,367

23. Approval of financial statements

Council and Management have approved these financial statements.

Village of Hythe
Notes to the Financial Statements
For the 6 month period ending June 30, 2021

24. Subsequent event

Effective July 1, 2021, the Village amalgamated into the County of Grande Prairie No. 1.