

TOWN OF HARDISTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Hardisty:

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Town of Hardisty (the Entity), which comprise the consolidated statement of financial position as at December 31, 2020, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Hardisty as at December 31, 2020, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 7.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 11.

M.D. of Wainwright

July 28, 2021



Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash (Note 2)	1,889,582	676,224
Term deposits (Note 2)	1,253,273	1,103,438
Taxes and grants in place of taxes (Note 3)	134,305	143,417
Trade and other receivables	141,206	71,914
Receivable from other governments	495,812	920,946
Inventory held for resale	173,585	174,445
Local improvement receivable	80,109	78,569
	<u>4,167,872</u>	<u>3,168,953</u>
LIABILITIES		
Accounts payable and accrued liabilities	163,879	198,254
Deposits held in trust	47,397	125,129
Deferred revenue (Note 5)	430,672	103,410
Long term debt (Note 6)	54,602	68,610
	<u>696,550</u>	<u>495,403</u>
NET FINANCIAL ASSETS	<u>3,471,322</u>	<u>2,673,550</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>8,400,406</u>	<u>8,512,164</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>11,871,728</u>	<u>11,185,714</u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (unaudited)	2020	2019
REVENUE			
Net municipal property taxes (Schedule 3)	1,117,689	1,120,947	1,124,727
User fees and sales of goods	695,723	703,763	663,142
Sales to other governments	-	7,812	-
Penalties	15,000	21,529	30,721
Licenses and permits	17,400	45,246	14,699
Fines	5,500	1,722	1,488
Franchise and concession contracts	118,450	121,503	119,143
Investment income	3,000	21,686	51,441
Rentals	21,000	21,889	21,214
Government transfers for operating	29,000	145,202	56,385
Other	6,000	34,102	52,602
	<u>2,028,762</u>	<u>2,245,401</u>	<u>2,135,562</u>
EXPENSES			
Legislative	55,500	37,406	42,726
Administration	462,900	380,137	380,787
Protective services	145,846	54,559	79,161
Transportation	416,675	389,142	336,554
Water supply and distribution	224,058	201,792	186,114
Wastewater treatment and disposal	63,600	55,291	54,005
Waste management	97,838	98,351	94,179
Public health and welfare	51,845	26,676	31,529
Planning and development	62,000	44,981	92,851
Recreation	71,500	50,245	46,543
Culture	65,437	36,231	62,251
Amortization	-	305,138	296,491
	<u>1,717,199</u>	<u>1,679,949</u>	<u>1,703,191</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	311,563	565,452	432,371
OTHER			
Government transfers for capital (Schedule 4)	360,036	120,562	856,258
EXCESS OF REVENUE OVER EXPENSES	671,599	686,014	1,288,629
ACCUMULATED SURPLUS, BEGINNING OF YEAR	11,185,714	11,185,714	9,897,085
ACCUMULATED SURPLUS, END OF YEAR	<u>11,857,313</u>	<u>11,871,728</u>	<u>11,185,714</u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (unaudited)	2020	2019
EXCESS OF REVENUE OVER EXPENSES	<u>671,599</u>	<u>686,014</u>	<u>1,288,629</u>
Acquisition of tangible capital assets	(470,000)	(193,380)	(1,130,764)
Amortization of tangible capital assets	<u>-</u>	<u>305,138</u>	<u>296,491</u>
	<u>(470,000)</u>	<u>111,758</u>	<u>(834,273)</u>
INCREASE IN NET FINANCIAL ASSETS	201,599	797,772	454,356
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,673,550</u>	<u>2,673,550</u>	<u>2,219,194</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>2,875,149</u></u>	<u><u>3,471,322</u></u>	<u><u>2,673,550</u></u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	686,014	1,288,629
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	305,138	296,491
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	9,112	8,419
Decrease (increase) in trade and other receivables	(69,292)	365,627
Decrease (increase) in receivable from other governments	425,134	(206,295)
Decrease (increase) in inventory held for resale	860	(42,229)
Decrease (increase) in local improvement levy	(1,540)	11,155
Increase (decrease) in accounts payable and accrued liabilities	(34,375)	(78,662)
Increase (decrease) in deposits held in trust	(77,732)	(2,202)
Increase (decrease) in deferred revenue	327,262	(567,051)
	<u>1,570,581</u>	<u>1,073,882</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(193,380)</u>	<u>(1,130,764)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	<u>(56,796)</u>	<u>18,690</u>
FINANCING		
Long-term debt repaid	<u>(14,008)</u>	<u>(13,360)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,306,397	(51,552)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,654,533</u>	<u>1,706,085</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>2,960,930</u></u>	<u><u>1,654,533</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	1,889,382	676,024
Term deposits	1,253,273	1,103,438
Less: restricted portion of cash and term deposits (Note 2)	<u>(181,925)</u>	<u>(125,129)</u>
	<u><u>2,960,930</u></u>	<u><u>1,654,533</u></u>

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE, BEGINNING OF YEAR	1,491,887	1,250,273	8,443,554	11,185,714	9,897,085
Excess (deficiency) of revenues over expenses	686,014	-	-	686,014	1,288,629
Unrestricted funds designated for future use	(293,822)	293,822	-	-	-
Current year funds used for tangible capital assets	(193,380)	-	193,380	-	-
Annual amortization expense	305,138	-	(305,138)	-	-
Net long term debt repaid or issued	(14,008)	-	14,008	-	-
Change in accumulated surplus	489,942	293,822	(97,750)	686,014	1,288,629
BALANCE, END OF YEAR	<u>1,981,829</u>	<u>1,544,095</u>	<u>8,345,804</u>	<u>11,871,728</u>	<u>11,185,714</u>

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2020	2019
COST:								
Balance - beginning of year	96,270	555,963	1,338,067	10,531,528	387,374	519,625	13,428,827	12,298,063
Acquisition of tangible capital assets	-	-	-	34,885	12,667	42,461	90,013	1,130,764
Construction in progress	-	32,975	-	70,392	-	-	103,367	-
Balance - end of year	96,270	588,938	1,338,067	10,636,805	400,041	562,086	13,622,207	13,428,827
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	188,100	550,978	3,699,946	210,373	267,266	4,916,663	4,620,172
Annual amortization	-	18,532	27,324	199,784	30,764	28,734	305,138	296,491
Balance - end of year	-	206,632	578,302	3,899,730	241,137	296,000	5,221,801	4,916,663
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	382,306	759,765	6,737,075	158,904	266,086	8,400,406	8,512,164
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	367,863	787,089	6,831,582	177,001	252,359	8,512,164	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 3)

	Budget (Unaudited)	2020	2019
TAXATION			
Real property taxes	1,388,743	1,387,642	1,406,593
Linear property taxes	29,557	29,557	31,469
Local improvement taxes	15,000	16,880	-
	<u>1,433,300</u>	<u>1,434,079</u>	<u>1,438,062</u>
REQUISITIONS			
Alberta School Foundation	302,124	299,782	297,621
Designated Industrial Levy	137	-	144
Flagstaff Regional Housing Group	13,350	13,350	15,570
	<u>315,611</u>	<u>313,132</u>	<u>313,335</u>
NET MUNICIPAL TAXES	<u>1,117,689</u>	<u>1,120,947</u>	<u>1,124,727</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 4)

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING			
Provincial Government	19,000	98,026	22,956
Local Governments	10,000	42,976	33,429
	<u>29,000</u>	<u>145,202</u>	<u>56,385</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	34,886	266,039
Provincial Government	360,036	85,676	590,219
	<u>360,036</u>	<u>120,562</u>	<u>856,258</u>
TOTAL GOVERNMENT TRANSFERS	<u>389,036</u>	<u>265,764</u>	<u>912,643</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 5)

	Budget (Unaudited)	2020	2019
Expenditures			
Salaries, wages and benefits	589,850	525,452	510,002
Contracted and general services	700,338	587,509	607,855
Purchases from other governments	80,096	4,765	4,411
Materials, goods and utilities	302,400	223,296	240,995
Provision for allowances	1,500	-	1,520
Transfers to local boards and agencies	18,557	17,310	24,703
Bank charges and short term interest	15,000	12,188	11,297
Interest on capital long term debt	3,958	2,942	3,598
Other expenditures	5,500	1,349	2,319
Amortization of tangible capital assets	-	305,138	296,491
	<u>1,717,199</u>	<u>1,679,949</u>	<u>1,703,191</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2020 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	1,120,947	-	-	-	-	-	-	1,120,947
User fees and sales of goods	10,051	107,636	-	578,727	3,270	-	4,079	703,763
Sales to other governments	7,812	-	-	-	-	-	-	7,812
Penalties and costs on taxes	21,529	-	-	-	-	-	-	21,529
Licenses and permits	4,290	200	-	-	-	40,756	-	45,246
Fines	-	1,722	-	-	-	-	-	1,722
Franchise and concession contracts	121,503	-	-	-	-	-	-	121,503
Investment income	21,686	-	-	-	-	-	-	21,686
Rentals	-	-	-	-	9,000	12,889	-	21,889
Government transfers	80,392	51,010	4,200	-	-	-	9,600	145,202
Other	-	5,617	-	-	2,495	-	25,990	34,102
	<u>1,388,210</u>	<u>166,185</u>	<u>4,200</u>	<u>578,727</u>	<u>14,765</u>	<u>53,645</u>	<u>39,669</u>	<u>2,245,401</u>
EXPENSES								
Salaries, wages and benefits	261,153	16,020	134,923	98,442	14,914	-	-	525,452
Contracted and general services	121,287	22,195	151,194	191,626	1,877	43,269	56,061	587,509
Purchases from other governments	-	4,765	-	-	-	-	-	4,765
Materials, goods and utilities	21,566	11,579	103,025	62,424	5,065	1,712	17,925	223,296
Transfers to local boards and agencies	-	-	-	-	4,820	-	12,490	17,310
Bank charges and short term interest	12,188	-	-	-	-	-	-	12,188
Interest on capital long term debt	-	-	-	2,942	-	-	-	2,942
Other expenditures	1,349	-	-	-	-	-	-	1,349
	<u>417,543</u>	<u>54,559</u>	<u>389,142</u>	<u>355,434</u>	<u>26,676</u>	<u>44,981</u>	<u>86,476</u>	<u>1,374,811</u>
NET REVENUE, BEFORE AMORTIZATION	<u>970,667</u>	<u>111,626</u>	<u>(384,942)</u>	<u>223,293</u>	<u>(11,911)</u>	<u>8,664</u>	<u>(46,807)</u>	<u>870,590</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	<u>15,884</u>	<u>29,174</u>	<u>113,416</u>	<u>134,771</u>	<u>-</u>	<u>-</u>	<u>11,893</u>	<u>305,138</u>
NET REVENUE	<u><u>954,783</u></u>	<u><u>82,452</u></u>	<u><u>(498,358)</u></u>	<u><u>88,522</u></u>	<u><u>(11,911)</u></u>	<u><u>8,664</u></u>	<u><u>(58,700)</u></u>	<u><u>565,452</u></u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Reporting Entity

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

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

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

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Requisition Over-levy and Under-levy

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

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

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

f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

g) Tax revenue

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

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

h) Landfill Closure and Post-Closure Liability

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

j) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	50
Engineered structures - other	25-75
Engineered structures - water system	50-75
Engineered structures - wastewater system	50
Land improvements	20
Machinery and equipment	5-15
Vehicles	10-25

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

ii. Contributions of Tangible Capital Assets

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Leases

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

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

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

2. CASH AND TERM DEPOSITS

	<u>2020</u>	<u>2019</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 5)		
Municipal stimulus	21,564	
Other	112,964	
	<u>134,528</u>	<u>-</u>
Included in cash and term deposits are amounts held for deposits in trust	47,397	125,129
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	1,544,095	975,882
	<u>1,860,548</u>	<u>1,101,011</u>
Total restricted cash and term deposits		
	<u>1,282,307</u>	<u>678,651</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2020</u>	<u>2019</u>
Current taxes and grants in place of taxes	61,685	52,050
Arrears taxes	9,288	14,600
Property held by the village as a result of tax forfeiture	87,928	101,363
	<u>158,901</u>	<u>168,013</u>
Less: allowance for doubtful accounts	24,596	24,596
	<u>134,305</u>	<u>143,417</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$400,000 bearing interest at prime, secured by a borrowing resolution authorizing the overdraft.

5. DEFERRED INCOME

Deferred income consists of the following:

	2020	2019
Municipal Sustainability Initiative - capital	172,796	-
Municipal stimulus	21,564	
Federal Gas Tax	15,114	-
Property tax prepayments	108,234	103,410
Other	112,964	-
	<u>430,672</u>	<u>103,410</u>

6. LONG TERM DEBT

	2020	2019
Alberta Capital Finance Authority	<u>54,602</u>	<u>68,610</u>

Principal and interest payments are as follows:

	Principal	Interest	Total
2021	14,688	2,444	17,132
2022	15,401	1,731	17,132
2023	16,148	984	17,132
2024	8,365	201	8,566
	<u>54,602</u>	<u>5,360</u>	<u>59,962</u>

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 4.795% and matures in 2024 and is secured by the credit and security of the town at large.

The town's total cash payments for interest in 2020 were \$3,124 (2019 - \$3,772).

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

7. 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 Town of Hardisty be disclosed as follows:

	2020	2019
Total debt limit	<u>3,368,102</u>	<u>3,203,343</u>
Total debt	<u>54,602</u>	<u>68,610</u>
Surplus debt limit	<u>3,313,500</u>	<u>3,134,733</u>
Debt servicing limit	<u>561,350</u>	<u>533,891</u>
Debt servicing	<u>17,132</u>	<u>17,132</u>
Surplus debt servicing	<u>544,218</u>	<u>516,759</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020	2019
Tangible capital assets (Schedule 2)	<u>13,622,207</u>	<u>13,428,827</u>
Accumulated amortization (Schedule 2)	<u>(5,221,801)</u>	<u>(4,916,663)</u>
Long-term debt (Note 6)	<u>(54,602)</u>	<u>(68,610)</u>
	<u>8,345,804</u>	<u>8,443,554</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

9. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	<u>1,981,829</u>	<u>1,491,887</u>
Restricted surplus		
Town sign	25,382	25,382
Health and safety	17,212	17,212
Fire department	187,637	112,474
Common equipment	30,751	30,382
Water and wastewater system	1,155,486	945,274
Cemetery	14,996	14,974
Development	9,979	7,167
Recreation	84,170	83,140
Culture	18,482	14,268
	<u>1,544,095</u>	<u>1,250,273</u>
Equity in tangible capital assets	<u>8,345,804</u>	<u>8,443,554</u>
	<u>11,871,728</u>	<u>11,185,714</u>

10. SEGMENTED DISCLOSURE

The Town of Hardisty provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

11. SALARY AND BENEFITS DISCLOSURE

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

	2020			2019
	Salary	Benefits & Allowances	Total	Total
Baumgartner	3750	105	3,855	-
Beringer	7,375	203	7,578	7,257
Gaetzman	2,060	55	2,115	7,849
Irving	8,575	-	8,575	10,054
Lane	7,375	203	7,578	7,257
Wurz	7,375	203	7,578	7,257
CAO	80,000	16,388	96,388	96,519
Designated officer (1)	12,672	-	12,672	12,424

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 274,151 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 are recorded as expenditures in the year in which they become due.

The town is required to make current service contributions 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 town 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 town to the LAPP in 2020 were \$30,099. Total current service contributions by the employees of the town to the LAPP in 2020 were \$27,079.

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.9 Billion.

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

13. FINANCIAL INSTRUMENTS

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

The town is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

14. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

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

	Budget (unaudited)	2020	2019
Excess of revenue over expenditures, per financial statements	671,599	686,014	1,288,629
Adjustments			
Amortization expense	-	305,138	296,491
Loss (gain) on disposal of tangible capital assets	-	-	-
Acquisition of tangible capital assets	(470,000)	(193,380)	(1,130,764)
Proceeds on disposition of tangible capital assets	-	-	-
Results of operations - previous methods	201,599	797,772	454,356
Net transfers (to) from reserves	(159,450)	(293,822)	(274,451)
Debenture repaid	(14,000)	(14,008)	(13,360)
Increase (decrease) in unrestricted surplus	28,149	489,942	166,545

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

15. CONTINGENCIES

The town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The town is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

16. CONTAMINATED SITES LIABILITY

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2020 (2019 – nil) as a result of this standard.

17. COMPARITIVE FIGURES

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.