

TOWN OF HARDISTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, 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, 2021, 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

June 14, 2022



Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash (Note 2)	2,500,700	1,889,582
Term deposits (Note 2)	1,551,010	1,253,273
Taxes and grants in place of taxes (Note 3)	181,460	134,305
Trade and other receivables	82,103	141,206
Receivable from other governments	440,514	495,812
Inventory held for resale	172,578	173,585
Local improvement receivable	63,898	80,109
	<u>4,992,263</u>	<u>4,167,872</u>
LIABILITIES		
Accounts payable and accrued liabilities	119,067	163,879
Deposits held in trust	24,141	47,397
Deferred revenue (Note 5)	784,464	430,672
Long term debt (Note 6)	39,914	54,602
	<u>967,586</u>	<u>696,550</u>
NET FINANCIAL ASSETS	<u>4,024,677</u>	<u>3,471,322</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>8,186,670</u>	<u>8,400,406</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>12,211,347</u>	<u>11,871,728</u>

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020
REVENUE			
Net municipal property taxes (Schedule 3)	1,063,734	1,048,897	1,120,947
User fees and sales of goods	752,223	738,682	703,763
Sales to other governments	-	-	7,812
Penalties	15,000	19,038	21,529
Licenses and permits	17,400	6,070	45,246
Fines	5,500	2,795	1,722
Franchise and concession contracts	127,357	137,035	121,503
Investment income	3,000	27,712	21,686
Rentals	25,800	28,739	21,889
Insurance proceeds	-	13,450	-
Government transfers for operating	29,000	66,738	145,202
Other	39,000	76,234	34,102
	<u>2,078,014</u>	<u>2,165,390</u>	<u>2,245,401</u>
EXPENSES			
Legislative	60,500	61,154	37,406
Administration	459,700	498,460	380,137
Protective services	152,530	155,807	54,559
Transportation	419,007	296,212	389,142
Water supply and distribution	224,258	203,746	201,792
Wastewater treatment and disposal	63,600	63,136	55,291
Waste management	97,838	95,153	98,351
Public health and welfare	80,245	40,113	26,676
Planning and development	82,606	40,992	44,981
Recreation	71,500	54,481	50,245
Culture	65,737	49,060	36,231
Amortization	-	304,745	305,138
	<u>1,777,521</u>	<u>1,863,059</u>	<u>1,679,949</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	300,493	302,331	565,452
OTHER			
Government transfers for capital (Schedule 4)	-	37,288	120,562
EXCESS OF REVENUE OVER EXPENSES	300,493	339,619	686,014
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>11,871,728</u>	<u>11,871,728</u>	<u>11,185,714</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>12,172,221</u></u>	<u><u>12,211,347</u></u>	<u><u>11,871,728</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020
EXCESS OF REVENUE OVER EXPENSES	<u>300,493</u>	<u>339,619</u>	<u>686,014</u>
Acquisition of tangible capital assets	(40,000)	(91,009)	(193,380)
Amortization of tangible capital assets	<u>-</u>	<u>304,745</u>	<u>305,138</u>
	<u>(40,000)</u>	<u>213,736</u>	<u>111,758</u>
INCREASE IN NET FINANCIAL ASSETS	260,493	553,355	797,772
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>3,471,322</u>	<u>3,471,322</u>	<u>2,673,550</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>3,731,815</u>	<u>4,024,677</u>	<u>3,471,322</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	339,619	686,014
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	304,745	305,138
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(47,155)	9,112
Decrease (increase) in trade and other receivables	59,103	(69,292)
Decrease (increase) in receivable from other governments	55,298	425,134
Decrease (increase) in inventory held for resale	1,007	860
Decrease (increase) in local improvement levy	16,211	(1,540)
Increase (decrease) in accounts payable and accrued liabilities	(44,812)	(34,375)
Increase (decrease) in deposits held in trust	(23,256)	(77,732)
Increase (decrease) in deferred revenue	353,792	327,262
	1,014,552	1,570,581
CAPITAL		
Acquisition of tangible capital assets	(91,009)	(193,380)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(147,244)	(56,796)
FINANCING		
Long-term debt repaid	(14,688)	(14,008)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	761,611	1,306,397
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,960,930	1,654,533
CASH AND CASH EQUIVALENTS, END OF YEAR	3,722,541	2,960,930
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	2,500,500	1,889,382
Term deposits	1,551,010	1,253,273
Less: restricted portion of cash and term deposits (Note 2)	(329,169)	(181,925)
	3,722,541	2,960,930

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF YEAR	1,981,829	1,544,095	8,345,804	11,871,728	11,185,714
Excess (deficiency) of revenues over expenses	339,619	-	-	339,619	686,014
Unrestricted funds designated for future use	(288,621)	288,621	-	-	-
Current year funds used for tangible capital assets	(91,009)	-	91,009	-	-
Annual amortization expense	304,745	-	(304,745)	-	-
Net long term debt repaid or issued	(14,688)	-	14,688	-	-
Change in accumulated surplus	250,046	288,621	(199,048)	339,619	686,014
BALANCE, END OF YEAR	2,231,875	1,832,716	8,146,756	12,211,347	11,871,728

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**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2021	2020
COST:								
Balance - beginning of year	96,270	588,938	1,338,067	10,636,805	400,041	562,086	13,622,207	13,428,827
Acquisition of tangible capital assets	-	18,100	12,443	-	23,178	-	53,721	90,013
Construction in progress	-	-	-	37,288	-	-	37,288	103,367
Disposal of tangible capital assets	-	-	-	-	-	(11,500)	(11,500)	-
Balance - end of year	96,270	607,038	1,350,510	10,674,093	423,219	550,586	13,701,716	13,622,207
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	206,632	578,302	3,899,730	241,137	296,000	5,221,801	4,916,663
Annual amortization	-	18,834	27,946	199,724	29,091	29,150	304,745	305,138
Accumulated amortization on disposals	-	-	-	-	-	(11,500)	(11,500)	-
Balance - end of year	-	225,466	606,248	4,099,454	270,228	313,650	5,515,046	5,221,801
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	381,572	744,262	6,574,639	152,991	236,936	8,186,670	8,400,406
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	382,306	759,765	6,737,075	158,904	266,086	8,400,406	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 3)

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	1,331,744	1,316,777	1,387,642
Linear property taxes	31,997	31,997	29,557
Local improvement taxes	-	-	16,880
	<u>1,363,741</u>	<u>1,348,774</u>	<u>1,434,079</u>
REQUISITIONS			
Alberta School Foundation	289,597	289,597	299,782
Designated Industrial Levy	130	-	-
Flagstaff Regional Housing Group	10,280	10,280	13,350
	<u>300,007</u>	<u>299,877</u>	<u>313,132</u>
NET MUNICIPAL TAXES	<u>1,063,734</u>	<u>1,048,897</u>	<u>1,120,947</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 4)

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Federal Government	-	6,300	4,200
Provincial Government	19,000	28,188	98,026
Local Governments	10,000	32,250	42,976
	<u>29,000</u>	<u>66,738</u>	<u>145,202</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	19,138	34,886
Provincial Government	-	18,150	85,676
	<u>-</u>	<u>37,288</u>	<u>120,562</u>
TOTAL GOVERNMENT TRANSFERS	<u>29,000</u>	<u>104,026</u>	<u>265,764</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 5)

	Budget (Unaudited)	2021	2020
Expenditures			
Salaries, wages and benefits	594,850	687,636	525,452
Contracted and general services	716,338	498,648	587,509
Purchases from other governments	3,100	3,935	4,765
Materials, goods and utilities	310,632	265,597	223,296
Provision for allowances	1,500	(2,457)	-
Transfers to other governments	17,925	11,920	-
Transfers to local boards and agencies	83,612	49,340	17,310
Transfers to individuals and agencies	25,606	28,338	-
Bank charges and short term interest	15,000	12,800	12,188
Interest on capital long term debt	3,958	2,253	2,942
Other expenditures	5,000	304	1,349
Amortization of tangible capital assets	-	304,745	305,138
	<u>1,777,521</u>	<u>1,863,059</u>	<u>1,679,949</u>

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**SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2021
(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)	1,048,897	-	-	-	-	-	-	1,048,897
User fees and sales of goods	11,284	119,977	-	591,818	5,465	-	10,138	738,682
Penalties and costs on taxes	19,038	-	-	-	-	-	-	19,038
Licenses and permits	4,020	264	-	-	-	1,786	-	6,070
Fines	-	2,795	-	-	-	-	-	2,795
Franchise and concession contracts	137,035	-	-	-	-	-	-	137,035
Investment income	27,712	-	-	-	-	-	-	27,712
Rentals	6,775	-	-	-	9,000	12,964	-	28,739
Insurance proceeds	-	13,450	-	-	-	-	-	13,450
Government transfers	20,154	32,250	3,150	3,150	-	-	8,034	66,738
Other	1,106	8,001	500	715	38,730	-	27,182	76,234
	<u>1,276,021</u>	<u>176,737</u>	<u>3,650</u>	<u>595,683</u>	<u>53,195</u>	<u>14,750</u>	<u>45,354</u>	<u>2,165,390</u>
EXPENSES								
Salaries, wages and benefits	368,669	29,380	145,888	126,228	17,471	-	-	687,636
Contracted and general services	154,215	35,154	54,937	178,466	1,703	11,027	63,146	498,648
Purchases from other governments	-	3,935	-	-	-	-	-	3,935
Materials, goods and utilities	26,083	43,624	95,387	55,088	16,119	1,627	27,669	265,597
Provision for allowances	(2,457)	-	-	-	-	-	-	(2,457)
Transfers to other governments	-	11,920	-	-	-	-	-	11,920
Transfers to local boards and agencies	-	31,794	-	-	4,820	-	12,726	49,340
Transfers to individuals and agencies	-	-	-	-	-	28,338	-	28,338
Bank charges and short term interest	12,800	-	-	-	-	-	-	12,800
Interest on capital long term debt	-	-	-	2,253	-	-	-	2,253
Other expenditures	304	-	-	-	-	-	-	304
	<u>559,614</u>	<u>155,807</u>	<u>296,212</u>	<u>362,035</u>	<u>40,113</u>	<u>40,992</u>	<u>103,541</u>	<u>1,558,314</u>
NET REVENUE, BEFORE AMORTIZATION	716,407	20,930	(292,562)	233,648	13,082	(26,242)	(58,187)	607,076
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	15,434	27,952	113,422	135,120	924	-	11,893	304,745
NET REVENUE	<u>700,973</u>	<u>(7,022)</u>	<u>(405,984)</u>	<u>98,528</u>	<u>12,158</u>	<u>(26,242)</u>	<u>(70,080)</u>	<u>302,331</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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, 2021

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, 2021

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>2021</u>	<u>2020</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 Sustainability Initiative - capital	192,064	-
Municipal stimulus	-	21,564
Other	112,964	112,964
	<u>305,028</u>	<u>134,528</u>
 Included in cash and term deposits are amounts held for deposits in trust	 24,141	 47,397
 Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	 <u>1,832,716</u>	 <u>1,544,095</u>
 Total restricted cash and term deposits	 <u>2,466,913</u>	 <u>1,860,548</u>
 Total unrestricted cash and term deposits	 <u>1,584,797</u>	 <u>1,282,307</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2021</u>	<u>2020</u>
Current taxes and grants in place of taxes	96,679	61,685
Arrears taxes	21,449	9,288
Property held by the village as a result of tax forfeiture	87,928	87,928
	<u>206,056</u>	<u>158,901</u>
Less: allowance for doubtful accounts	24,596	24,596
	<u>181,460</u>	<u>134,305</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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:

	<u>2021</u>	<u>2020</u>
Municipal Sustainability Initiative - capital	456,502	172,796
Municipal stimulus	-	21,564
Canada Community Building Fund	95,976	15,114
Property tax prepayments	119,022	108,234
Other	112,964	112,964
	<u>784,464</u>	<u>430,672</u>

6. LONG TERM DEBT

	<u>2021</u>	<u>2020</u>
Alberta Capital Finance Authority	<u>39,914</u>	<u>54,602</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	15,401	1,731	17,132
2023	16,148	984	17,132
2024	8,365	201	8,566
	<u>39,914</u>	<u>2,916</u>	<u>42,830</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 2021 were \$2,444 (2020 - \$3,124).

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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:

	<u>2021</u>	<u>2020</u>
Total debt limit	<u>3,248,085</u>	3,368,102
Total debt	<u>39,914</u>	54,602
Surplus debt limit	<u>3,208,171</u>	<u>3,313,500</u>
Debt servicing limit	<u>541,348</u>	561,350
Debt servicing	<u>17,132</u>	17,132
Surplus debt servicing	<u>524,216</u>	<u>544,218</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

	<u>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 2)	<u>13,701,716</u>	13,622,207
Accumulated amortization (Schedule 2)	<u>(5,515,046)</u>	(5,221,801)
Long-term debt (Note 6)	<u>(39,914)</u>	(54,602)
	<u>8,146,756</u>	<u>8,345,804</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

9. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	<u>2,231,875</u>	<u>1,981,829</u>
Restricted surplus		
Town sign	25,382	25,382
Health and safety	17,212	17,212
Fire department	253,447	187,637
Common equipment	31,029	30,751
Water and wastewater system	1,372,603	1,155,486
Cemetery	15,006	14,996
Development	9,979	9,979
Recreation	85,356	84,170
Culture	22,702	18,482
	<u>1,832,716</u>	<u>1,544,095</u>
Equity in tangible capital assets	<u>8,146,756</u>	<u>8,345,804</u>
	<u>12,211,347</u>	<u>11,871,728</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, 2021

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:

	2021			2020
	Salary	Benefits & Allowances	Total	Total
Baumgartner	9,250	278	9,528	3,855
Beringer	6,375	186	6,561	7,578
Campbell	4,600	145	4,745	-
Gaetzman	-	-	-	2,115
Irving	7,375	-	7,375	8,575
Jackson	4,100	214	4,314	-
Kroening	3,200	-	3,200	-
Lane	6,375	186	6,561	7,578
Ruzica	4,225	145	4,370	-
Wurz	6,375	186	6,561	7,578
CAO (Otto)	158,541	8,597	167,138	96,388
CAO (Usselman)	13,077	924	14,001	-
Designated officer (1)	12,756	-	12,756	12,672

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 275,151 people and 433 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 2021 were \$25,270. Total current service contributions by the employees of the town to the LAPP in 2021 were \$22,710.

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 Billion.

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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)	2021	2020
Excess of revenue over expenditures, per financial statements	300,493	339,619	686,014
Adjustments			
Amortization expense	-	304,745	305,138
Loss (gain) on disposal of tangible capital assets	-	-	-
Acquisition of tangible capital assets	(40,000)	(91,009)	(193,380)
Proceeds on disposition of tangible capital assets	-	-	-
Results of operations - previous methods	260,493	553,355	797,772
Net transfers (to) from reserves	(184,450)	(288,621)	(293,822)
Debenture repaid	(14,000)	(14,688)	(14,008)
Increase (decrease) in unrestricted surplus	62,043	250,046	489,942

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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 2021 (2020 – 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.