

TOWN OF HARDISTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022, 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, 2022, 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 13, 2023



Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	5,293,887	4,051,710
Taxes and grants in place of taxes (Note 3)	171,282	181,460
Trade and other receivables	86,121	82,103
Receivable from other governments	17,449	440,514
Inventory held for resale	172,378	172,578
Local improvement receivable	47,574	63,898
	<u>5,788,691</u>	<u>4,992,263</u>
LIABILITIES		
Accounts payable and accrued liabilities	87,187	119,067
Deposits held in trust	19,960	24,141
Deferred revenue (Note 5)	935,040	784,464
Long term debt (Note 6)	24,513	39,914
	<u>1,066,700</u>	<u>967,586</u>
NET FINANCIAL ASSETS	<u>4,721,991</u>	<u>4,024,677</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>7,739,252</u>	<u>8,186,670</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>12,461,243</u>	<u>12,211,347</u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (unaudited)	2022	2021
REVENUE			
Net municipal property taxes (Schedule 3)	1,061,314	1,042,747	1,048,897
User fees and sales of goods	703,550	747,320	738,682
Penalties	15,000	28,534	19,038
Licenses and permits	17,300	9,176	6,070
Fines	4,000	5,110	2,795
Franchise and concession contracts	117,000	155,443	137,035
Investment income	20,000	118,444	27,712
Rentals	26,000	32,266	28,739
Insurance proceeds	-	-	13,450
Government transfers for operating	50,162	26,188	66,738
Other	43,000	9,250	76,234
Gain on disposal of assets	-	3,680	-
	<u>2,057,326</u>	<u>2,178,158</u>	<u>2,165,390</u>
EXPENSES			
Legislative	61,250	41,348	61,154
Administration	458,400	361,437	498,460
Protective services	130,575	110,776	155,807
Transportation	425,200	413,332	296,212
Water supply and distribution	226,000	195,151	203,746
Wastewater treatment and disposal	63,600	49,052	63,136
Waste management	100,600	97,409	95,153
Public health and welfare	45,470	24,390	40,113
Planning and development	67,000	35,762	40,992
Recreation	74,500	58,417	54,481
Culture	57,036	73,226	49,060
Amortization	-	279,254	304,745
	<u>1,709,631</u>	<u>1,739,554</u>	<u>1,863,059</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	347,695	438,604	302,331
OTHER			
Government transfers for capital (Schedule 4)	6,615	29,680	37,288
EXCESS OF REVENUE OVER EXPENSES	354,310	468,284	339,619
Contribution of Tangible Capital Assets to FRESS	-	(218,388)	-
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>12,211,347</u>	<u>12,211,347</u>	<u>11,871,728</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>12,565,657</u></u>	<u><u>12,461,243</u></u>	<u><u>12,211,347</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (unaudited)	2022	2021
EXCESS OF REVENUE OVER EXPENSES	<u>354,310</u>	<u>468,284</u>	<u>339,619</u>
Acquisition of tangible capital assets	-	(50,224)	(91,009)
Proceeds on disposal of tangible capital assets	-	3,680	-
Amortization of tangible capital assets	-	279,254	304,745
Loss (gain) on sale of tangible capital assets	-	(3,680)	-
	<u>-</u>	<u>229,030</u>	<u>213,736</u>
INCREASE IN NET FINANCIAL ASSETS	354,310	697,314	553,355
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,024,677</u>	<u>4,024,677</u>	<u>3,471,322</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>4,378,987</u>	<u>4,721,991</u>	<u>4,024,677</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	468,284	339,619
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	279,254	304,745
Loss (gain) on disposal of tangible capital assets	(3,680)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	10,178	(47,155)
Decrease (increase) in trade and other receivables	(4,018)	59,103
Decrease (increase) in receivable from other governments	423,065	55,298
Decrease (increase) in inventory held for resale	200	1,007
Decrease (increase) in local improvement levy	16,324	16,211
Increase (decrease) in accounts payable and accrued liabilities	(31,880)	(44,812)
Increase (decrease) in deposits held in trust	(4,181)	(23,256)
Increase (decrease) in deferred revenue	150,576	353,792
	1,304,122	1,014,552
CAPITAL		
Acquisition of tangible capital assets	(50,224)	(91,009)
Sale of tangible capital assets	3,680	-
	(46,544)	(91,009)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(496,446)	(147,244)
FINANCING		
Long-term debt repaid	(15,401)	(14,688)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	745,731	761,611
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,722,541	2,960,930
CASH AND CASH EQUIVALENTS, END OF YEAR	4,468,272	3,722,541
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	5,293,687	4,051,510
Less: restricted portion of cash and term deposits (Note 2)	(825,615)	(329,169)
	4,468,272	3,722,541

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
BALANCE, BEGINNING OF YEAR	2,231,875	1,832,716	8,146,756	12,211,347	11,871,728
Excess (deficiency) of revenues over expenses	468,284	-	-	468,284	339,619
Unrestricted funds designated for future use	(398,209)	398,209	-	-	-
Current year funds used for tangible capital assets	(50,224)	-	50,224	-	-
Contributed tangible capital assets	-	-	(218,388)	(218,388)	-
Annual amortization expense	279,254	-	(279,254)	-	-
Net long term debt repaid or issued	(15,401)	-	15,401	-	-
Change in accumulated surplus	283,704	398,209	(432,017)	249,896	339,619
BALANCE, END OF YEAR	2,515,579	2,230,925	7,714,739	12,461,243	12,211,347

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**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2022	2021
COST:								
Balance - beginning of year	96,270	607,038	1,350,510	10,674,093	423,219	550,586	13,701,716	13,622,207
Acquisition of tangible capital assets	-	-	-	-	19,499	-	19,499	53,721
Construction in progress	-	-	-	30,725	-	-	30,725	37,288
Disposal of tangible capital assets	-	-	-	-	(241,843)	(398,232)	(640,075)	(11,500)
Balance - end of year	96,270	607,038	1,350,510	10,704,818	200,875	152,354	13,111,865	13,701,716
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	225,466	606,248	4,099,454	270,228	313,650	5,515,046	5,221,801
Annual amortization	-	19,135	28,493	199,551	21,160	10,915	279,254	304,745
Accumulated amortization on disposals	-	-	-	-	(197,510)	(224,177)	(421,687)	(11,500)
Balance - end of year	-	244,601	634,741	4,299,005	93,878	100,388	5,372,613	5,515,046
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	362,437	715,769	6,405,813	106,997	51,966	7,739,252	8,186,670
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	381,572	744,262	6,574,639	152,991	236,936	8,186,670	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 3)

	Budget (Unaudited)	2022	2021
TAXATION			
Real property taxes	1,325,963	1,322,246	1,316,777
Linear property taxes	30,875	30,875	31,997
Local improvement taxes	15,000	-	-
	<u>1,371,838</u>	<u>1,353,121</u>	<u>1,348,774</u>
REQUISITIONS			
Alberta School Foundation	297,394	297,374	289,597
Designated Industrial Levy	130	-	-
Flagstaff Regional Housing Group	13,000	13,000	10,280
	<u>310,524</u>	<u>310,374</u>	<u>299,877</u>
NET MUNICIPAL TAXES	<u>1,061,314</u>	<u>1,042,747</u>	<u>1,048,897</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 4)

	Budget (Unaudited)	2022	2021
TRANSFERS FOR OPERATING			
Federal Government	-	-	6,300
Provincial Government	40,162	26,188	28,188
Local Governments	10,000	-	32,250
	<u>50,162</u>	<u>26,188</u>	<u>66,738</u>
TRANSFERS FOR CAPITAL			
Federal Government	6,615	29,680	19,138
Provincial Government	-	-	18,150
	<u>6,615</u>	<u>29,680</u>	<u>37,288</u>
TOTAL GOVERNMENT TRANSFERS	<u>56,777</u>	<u>55,868</u>	<u>104,026</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2022 (Schedule 5)

	Budget (Unaudited)	2022	2021
Expenditures			
Salaries, wages and benefits	593,600	505,479	687,636
Contracted and general services	648,950	580,141	498,648
Purchases from other governments	1,200	-	3,935
Materials, goods and utilities	296,200	229,870	265,597
Provision for allowances	1,500	2,528	(2,457)
Transfers to other governments	17,925	17,890	11,920
Transfers to local boards and agencies	98,556	80,638	49,340
Transfers to individuals and agencies	30,000	28,591	28,338
Bank charges and short term interest	15,000	12,667	12,800
Interest on capital long term debt	3,200	1,531	2,253
Other expenditures	3,500	965	304
Amortization of tangible capital assets	-	279,254	304,745
	<u>1,709,631</u>	<u>1,739,554</u>	<u>1,863,059</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2022 (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)	1,042,747	-	-	-	-	-	-	1,042,747
User fees and sales of goods	8,602	85,085	-	618,073	3,455	-	32,105	747,320
Penalties and costs on taxes	28,534	-	-	-	-	-	-	28,534
Licenses and permits	3,740	520	-	-	-	4,916	-	9,176
Fines	-	5,110	-	-	-	-	-	5,110
Franchise and concession contracts	155,443	-	-	-	-	-	-	155,443
Investment income	118,444	-	-	-	-	-	-	118,444
Rentals	9,190	-	-	-	9,750	13,326	-	32,266
Government transfers	18,154	-	-	-	-	-	8,034	26,188
Other	150	700	-	1,225	7,175	-	-	9,250
	<u>1,385,004</u>	<u>91,415</u>	<u>-</u>	<u>619,298</u>	<u>20,380</u>	<u>18,242</u>	<u>40,139</u>	<u>2,174,478</u>
EXPENSES								
Salaries, wages and benefits	238,985	-	151,937	100,725	13,832	-	-	505,479
Contracted and general services	120,786	26,641	161,284	170,215	1,427	7,171	92,617	580,141
Materials, goods and utilities	27,426	2,657	99,539	69,141	4,311	-	26,796	229,870
Provision for allowances	2,528	-	-	-	-	-	-	2,528
Transfers to other governments	-	17,890	-	-	-	-	-	17,890
Transfers to local boards and agencies	-	63,588	-	-	4,820	-	12,230	80,638
Transfers to individuals and agencies	-	-	-	-	-	28,591	-	28,591
Bank charges and short term interest	12,667	-	-	-	-	-	-	12,667
Interest on capital long term debt	-	-	-	1,531	-	-	-	1,531
Other expenditures	393	-	572	-	-	-	-	965
	<u>402,785</u>	<u>110,776</u>	<u>413,332</u>	<u>341,612</u>	<u>24,390</u>	<u>35,762</u>	<u>131,643</u>	<u>1,460,300</u>
NET REVENUE, BEFORE AMORTIZATION	982,219	(19,361)	(413,332)	277,686	(4,010)	(17,520)	(91,504)	714,178
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	17,218	1,795	111,380	135,120	1,848	-	11,893	279,254
Loss (gain) on disposal of tangible capital asse	-	-	(3,680)	-	-	-	-	(3,680)
	<u>17,218</u>	<u>1,795</u>	<u>107,700</u>	<u>135,120</u>	<u>1,848</u>	<u>-</u>	<u>11,893</u>	<u>275,574</u>
NET REVENUE	965,001	(21,156)	(521,032)	142,566	(5,858)	(17,520)	(103,397)	438,604

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022

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, 2022

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, 2022

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>2022</u>	<u>2021</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	566,595	192,064
Canada Community Building Fund	116,296	-
Other	<u>122,764</u>	<u>112,964</u>
	<u>805,655</u>	<u>305,028</u>
Included in cash and term deposits are amounts held for deposits in trust	19,960	24,141
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	<u>2,230,925</u>	<u>1,832,716</u>
Total restricted cash and term deposits	<u>3,862,195</u>	<u>2,466,913</u>
Total unrestricted cash and term deposits	<u>1,431,692</u>	<u>1,584,797</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2022</u>	<u>2021</u>
Current taxes and grants in place of taxes	86,942	96,679
Arrears taxes	33,018	21,449
Property held by the village as a result of tax forfeiture	<u>75,918</u>	<u>87,928</u>
	<u>195,878</u>	<u>206,056</u>
Less: allowance for doubtful accounts	<u>24,596</u>	<u>24,596</u>
	<u>171,282</u>	<u>181,460</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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>2022</u>	<u>2021</u>
Municipal Sustainability Initiative - capital	566,595	456,502
Canada Community Building Fund	116,296	95,976
Property tax prepayments	129,385	119,022
Other	122,764	112,964
	<u>935,040</u>	<u>784,464</u>

6. LONG TERM DEBT

	<u>2022</u>	<u>2021</u>
Loans to Local Authorities	<u>24,513</u>	<u>39,914</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	16,148	984	17,132
2024	8,365	201	8,566
	<u>24,513</u>	<u>1,185</u>	<u>25,698</u>

Debenture debt repayable to the Loans to Local Authorities 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 2022 were \$1,731 (2021 - \$2,444).

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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>2022</u>	<u>2021</u>
Total debt limit	<u>3,267,237</u>	3,248,085
Total debt	<u>24,513</u>	39,914
Surplus debt limit	<u>3,242,724</u>	<u>3,208,171</u>
Debt servicing limit	<u>544,540</u>	541,348
Debt servicing	<u>17,132</u>	17,132
Surplus debt servicing	<u>527,408</u>	<u>524,216</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>2022</u>	<u>2021</u>
Tangible capital assets (Schedule 2)	<u>13,111,865</u>	13,701,716
Accumulated amortization (Schedule 2)	<u>(5,372,613)</u>	(5,515,046)
Long-term debt (Note 6)	<u>(24,513)</u>	(39,914)
	<u>7,714,739</u>	<u>8,146,756</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

9. ACCUMULATED SURPLUS

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

	<u>2022</u>	<u>2021</u>
Unrestricted surplus	<u>2,515,579</u>	<u>2,231,875</u>
Restricted surplus		
General	25,382	25,382
Health and safety	17,212	17,212
Fire department	363,003	253,447
Common equipment	31,841	31,029
Water and wastewater system	1,634,145	1,372,603
Cemetery	15,430	15,006
Development	14,434	9,979
Recreation	102,058	85,356
Culture	27,420	22,702
	<u>2,230,925</u>	<u>1,832,716</u>
Equity in tangible capital assets	<u>7,714,739</u>	<u>8,146,756</u>
	<u>12,461,243</u>	<u>12,211,347</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, 2022

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:

	2022			2021
	Salary	Benefits & Allowances	Total	Total
Baumgartner	7,800	245	8,045	9,528
Beringer	-	-	-	6,561
Campbell	7,800	245	8,045	4,745
Irving	-	-	-	7,375
Jackson	9,000	314	9,314	4,314
Kroening	7,975	255	8,230	3,200
Lane	-	-	-	6,561
Ruzica	8,150	265	8,415	4,370
Wurz	-	-	-	6,561
CAO (Otto)	-	-	-	167,138
CAO (Usselman)	85,769	12,989	98,758	14,001
Designated officer (1)	12,903	-	12,903	12,756

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 281,754 people and 435 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2022 were \$27,586. Total current service contributions by the employees of the town to the LAPP in 2022 were \$24,528.

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.9 Billion.

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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. 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.

15. CONTAMINATED SITES LIABILITY

The town has adopted PS3260 Liability for Contaminated Sites. The town did not identify any financial liabilities in 2022 (2021 – nil) as a result of this standard.

16. COMPARITIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.