

**TOWN OF HANNA
FINANCIAL STATEMENTS
FOR THE YEAR END DECEMBER 31, 2020**

**TOWN OF HANNA
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the financial statements of the Town of Hanna, which comprise of the statement of financial position as at, December 31, 2020 and the results of its operations and changes in its net financial assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town of Hanna as at December 31, 2020, the results of its operations, changes in net financial assets and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these 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 the 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 Town'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 Town's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls 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 Town's internal controls.
- 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 Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However future events or conditions may cause the Town to cease to continue to be 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 9.
- Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we 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 1.

**HANNA, ALBERTA
MARCH 17, 2021**

Ascend

**ASCEND LLP
CHARTERED PROFESSIONAL ACCOUNTANTS**



TOWN OF HANNA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 3,451,631	\$ 4,568,578
Receivables		
Taxes and grants in place of taxes (Note 3)	295,989	371,876
Trade and other receivables	453,815	537,998
Receivables from other governments	1,042,141	277,892
Land inventory held for resale	1,406,264	1,979,000
Investments (Note 4)	1,995,984	1,826,983
Loans receivable (Note 5)	<u>68,000</u>	<u>88,000</u>
	<u>8,713,824</u>	<u>9,650,327</u>
LIABILITIES		
Accounts payable and accrued liabilities	280,743	300,822
Deposit liabilities	9,258	6,981
Deferred revenue (Note 6)	679,108	1,945,929
Employee benefit obligations (Note 7)	343,036	324,732
Long-term debt (Note 8)	<u>283,954</u>	<u>308,870</u>
	<u>1,596,099</u>	<u>2,887,334</u>
NET FINANCIAL ASSETS	<u>7,117,725</u>	<u>6,762,993</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	30,890,624	29,496,186
Prepaid expenses	<u>279</u>	<u>807</u>
	<u>30,890,903</u>	<u>29,496,993</u>
ACCUMULATED SURPLUS	<u>\$ 38,008,628</u>	<u>\$ 36,259,986</u>
	COMMITMENTS (SEE NOTE 17)	
	CONTINGENCIES (SEE NOTE 18)	

TOWN OF HANNA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 2,814,679	\$ 2,806,993	\$ 2,855,216
User fees and sale of goods	2,374,600	2,208,934	2,326,174
Government transfers for operating (Schedule 3)	1,334,640	1,283,413	962,492
Investment income	95,400	149,059	128,577
Penalties and costs on taxes	55,600	50,383	50,523
Franchise and concession contracts	403,400	418,239	411,661
Fines	12,000	8,199	16,643
Other	38,430	28,718	44,912
Gain on disposal of tangible capital assets	<u> </u>	<u> </u>	<u>1,189</u>
Total Revenue	<u>7,128,749</u>	<u>6,953,938</u>	<u>6,797,387</u>
EXPENSES			
Legislative	116,400	94,733	121,964
Administration	1,100,730	1,120,806	1,200,752
Protective services	386,940	507,012	603,161
Transportation	953,040	1,337,308	1,261,711
Water supply and distribution	1,174,500	1,050,543	1,060,438
Wastewater treatment and disposal	177,550	237,895	226,182
Waste management	376,400	376,287	340,620
Public health and welfare	271,940	228,422	242,677
Economic development	251,270	251,472	288,641
Subdivision land and development	<u> </u>	572,736	<u> </u>
Parks and recreation	1,178,650	1,329,624	1,472,166
Culture	<u>430,920</u>	<u>373,212</u>	<u>408,670</u>
Total Expenses	<u>6,418,340</u>	<u>7,480,050</u>	<u>7,226,982</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	710,409	(526,112)	(429,595)
Government transfers for capital (Schedule 3)	2,053,400	2,057,221	331,700
Contributed and donated assets	<u>351,930</u>	<u>217,533</u>	<u>391,279</u>
EXCESS OF REVENUE OVER EXPENSES	3,115,739	1,748,642	293,384
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>36,259,986</u>	<u>36,259,986</u>	<u>35,966,602</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 39,375,725</u>	<u>\$ 38,008,628</u>	<u>\$ 36,259,986</u>

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

	Budget (Unaudited)	2020	2019 (Restated)
EXCESS OF REVENUE OVER EXPENSES	\$ <u>3,115,739</u>	\$ <u>1,748,642</u>	\$ <u>293,384</u>
Acquisition of tangible capital assets	(2,843,690)	(2,510,355)	(998,008)
Amortization of tangible capital assets		1,098,603	1,034,973
Gain on sale of tangible capital assets		17,314	(1,189)
Proceeds on disposition of tangible capital assets	<u> </u>	<u> </u>	<u>1,190</u>
	<u>(2,843,690)</u>	<u>(1,394,438)</u>	<u>36,966</u>
Change in prepaid expenses	<u> </u>	<u>528</u>	<u>(615)</u>
INCREASE IN NET ASSETS	272,049	354,732	329,735
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>6,762,993</u>	<u>6,762,993</u>	<u>6,433,258</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>7,035,042</u></u>	\$ <u><u>7,117,725</u></u>	\$ <u><u>6,762,993</u></u>

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

	2020	2019
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 1,748,642	\$ 293,384
Non-cash items included in excess of revenues over expenses:		
Amortization on tangible capital assets	1,098,603	1,034,973
Gain on sale of tangible capital assets	<u>17,314</u>	<u>(1,189)</u>
	2,864,559	1,327,168
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	75,887	(137,677)
Decrease(increase) in trade and other receivables	84,183	58,321
Decrease(increase) in receivables from other governments	(764,249)	799,813
Decrease(increase) in land inventory held for resale	572,736	
Decrease(increase) in loans receivable	20,000	
Decrease(increase) in prepaid expenses	528	(615)
Increase(decrease) in accounts payable and accrued liabilities	(20,079)	(153,111)
Increase(decrease) in deposit liabilities	2,277	1,849
Increase(decrease) in deferred revenue	(1,266,821)	513,980
Increase(decrease) in employee benefit obligations	<u>18,304</u>	<u>27,850</u>
Cash provided by (applied to) operating transactions	<u>1,587,325</u>	<u>2,437,578</u>
CAPITAL		
Acquisition of tangible capital assets	(2,510,355)	(998,008)
Proceeds on sale of tangible capital assets	<u> </u>	<u>1,190</u>
Cash provided by (applied to) capital transactions	<u>(2,510,355)</u>	<u>(996,818)</u>
INVESTING		
Decrease(increase) in investments	<u>(169,001)</u>	<u>105,871</u>
FINANCING		
Repayment of obligation under capital lease	<u>(24,916)</u>	<u>(23,586)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(1,116,947)	1,523,045
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,568,578</u>	<u>3,045,533</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,451,631</u>	<u>\$ 4,568,578</u>

TOWN OF HANNA
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 1

	Construction in Progress	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2020	2019
COST:									
BALANCE, BEGINNING OF YEAR	\$ 63,341	\$ 1,162,666	\$ 2,544,875	\$ 17,161,478	\$ 20,366,799	\$ 4,145,272	\$ 2,194,512	\$ 47,638,943	\$ 46,670,935
Acquisition of tangible capital assets	(57,733)	16,500		132,068	1,980,401	74,566	37,766	2,183,568	934,667
Construction-in-progress	326,787				(173,137)			326,787	63,341
Disposal of tangible capital assets								(173,137)	(30,000)
BALANCE, END OF YEAR	<u>332,395</u>	<u>1,179,166</u>	<u>2,544,875</u>	<u>17,293,546</u>	<u>22,174,063</u>	<u>4,219,838</u>	<u>2,232,278</u>	<u>49,976,161</u>	<u>47,638,943</u>
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR			919,988	4,192,976	9,642,385	2,305,529	1,081,879	18,142,757	17,137,783
Annual amortization			89,669	330,390	329,314	263,946	85,284	1,098,603	1,034,973
Disposals					(155,823)			(155,823)	(29,999)
BALANCE, END OF YEAR			<u>1,009,657</u>	<u>4,523,366</u>	<u>9,815,876</u>	<u>2,569,475</u>	<u>1,167,163</u>	<u>19,085,537</u>	<u>18,142,757</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 332,395</u>	<u>\$ 1,179,166</u>	<u>\$ 1,535,218</u>	<u>\$ 12,770,180</u>	<u>\$ 12,358,187</u>	<u>\$ 1,650,363</u>	<u>\$ 1,065,115</u>	<u>\$ 30,890,624</u>	<u>\$ 29,496,186</u>
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 63,341</u>	<u>\$ 1,162,666</u>	<u>\$ 1,624,887</u>	<u>\$ 12,968,502</u>	<u>\$ 10,724,414</u>	<u>\$ 1,839,743</u>	<u>\$ 1,112,633</u>	<u>\$ 29,496,186</u>	

TOWN OF HANNA
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2020
Schedule 2

	Budget (Unaudited)	2020	2019
TAXATION			
Real property taxes	\$ 3,391,518	\$ 3,401,435	\$ 3,431,692
Linear property taxes	142,311	142,358	147,317
Government grants in place of property taxes	<u>66,650</u>	<u>66,650</u>	<u>81,121</u>
	<u>3,600,479</u>	<u>3,610,443</u>	<u>3,660,130</u>
REQUISITIONS			
Alberta School Foundation Fund	648,300	665,935	674,452
Acadia Seniors Foundation	<u>137,500</u>	<u>137,515</u>	<u>130,462</u>
	<u>785,800</u>	<u>803,450</u>	<u>804,914</u>
NET MUNICIPAL TAXES	<u>\$ 2,814,679</u>	<u>\$ 2,806,993</u>	<u>\$ 2,855,216</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2020
Schedule 3

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING			
Provincial government	\$ 915,238	\$ 776,097	\$ 486,318
Federal government	46,000	46,050	21,027
Local governments	<u>373,402</u>	<u>461,266</u>	<u>455,147</u>
	<u>1,334,640</u>	<u>1,283,413</u>	<u>962,492</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,742,555	1,607,737	201,273
Federal government	310,845	430,306	
Local governments	<u>19,178</u>	<u>19,178</u>	<u>130,427</u>
	<u>2,053,400</u>	<u>2,057,221</u>	<u>331,700</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,388,040</u>	<u>\$ 3,340,634</u>	<u>\$ 1,294,192</u>

TOWN OF HANNA
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 4

	Budget (Unaudited)	2020	2019
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 2,282,985	\$ 2,182,034	\$ 2,348,597
Contracted and general services	1,897,655	1,703,853	1,685,466
Materials, goods, supplies and utilities	1,822,230	1,532,251	1,653,011
Provision for allowances	2,500	1,141	35,775
Transfers to local boards and agencies	142,100	142,100	143,741
Transfers to individuals and organizations	142,700	139,785	231,318
Bank charges and short term interest	4,200	4,586	4,846
Interest on capital long term debt		16,366	17,696
Amortization of tangible capital assets		1,098,603	1,034,973
Write down of land held for resale		572,736	
Loss on disposal of tangible capital assets		17,314	
Other expenses	123,970	69,281	71,559
	<u>\$ 6,418,340</u>	<u>\$ 7,480,050</u>	<u>\$ 7,226,982</u>

TOWN OF HANNA
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019 (Restated)
BALANCE, BEGINNING OF YEAR	\$ 5,079,670	\$ 1,993,000	\$ 29,187,316	\$ 36,259,986	\$ 35,966,602
Excess of revenues over expenses	1,748,642			1,748,642	293,384
Unrestricted funds designated for future use	(337,771)	337,771			
Restricted funds used for operations	45,613	(45,613)			
Restricted funds used for tangible capital assets		(138,658)	138,658		
Current year funds used for tangible capital assets	(2,371,697)		2,371,697		
Disposal of tangible capital assets	17,314		(17,314)		
Annual amortization expense	1,098,603		(1,098,603)		
Long term debt repaid	(24,916)		24,916		
Change in accumulated surplus	175,788	153,500	1,419,354	1,748,642	293,384
BALANCE, END OF YEAR	\$ 5,255,458	\$ 2,146,500	\$ 30,606,670	\$ 38,008,628	\$ 36,259,986

TOWN OF HANNA
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule 6

	General Government	Protective Services	Transportation Services	Water / Wastewater	Waste Management	Public Health & Welfare	Development & Planning	Recreation & Culture	Total
REVENUE									
Net municipal taxes	\$ 2,806,993	\$	\$	\$	\$	\$	\$	\$	\$ 2,806,993
User fees and sales of goods	38,222	103,642	10,376	1,357,556	374,212	15,191	29,225	280,510	2,208,934
Government transfers	801,219	102,782	1,820,272	230,510		91,298		294,553	3,340,634
Investment Income	149,059								149,059
Penalties	50,383								50,383
Franchise fees	418,239	8,199							418,239
Fines		584							8,199
Other revenues			431		5	2,539		242,692	246,251
	<u>4,264,115</u>	<u>215,207</u>	<u>1,831,079</u>	<u>1,588,066</u>	<u>374,217</u>	<u>109,028</u>	<u>29,225</u>	<u>817,755</u>	<u>9,228,692</u>
EXPENSES									
Salaries & wages	486,118	174,653	433,057	149,074		153,799	140,018	645,315	2,182,034
Contract & general services	464,438	92,249	287,272	138,843	375,946	20,173	22,362	302,570	1,703,653
Goods & supplies	59,471	44,810	241,478	825,441	341	52,233	17,016	291,461	1,532,251
Provision for allowance	1,141								1,141
Transfers to local boards	128,745	5,000					40,000	97,100	142,100
Transfers to organizations	4,586					541		10,499	139,785
Bank charges and interest			16,366						16,366
Long-term debt interest			17,032	282					17,314
Loss on sale of TCA							572,736		572,736
Write down of land inventory		13,470	2,240	680			6,081	31,947	69,281
Other expenses	<u>14,863</u>								
	<u>1,159,362</u>	<u>330,182</u>	<u>997,445</u>	<u>1,114,320</u>	<u>376,287</u>	<u>226,746</u>	<u>798,213</u>	<u>1,378,892</u>	<u>6,381,447</u>
NET REVENUE, BEFORE AMORTIZATION	<u>3,104,753</u>	<u>(114,975)</u>	<u>833,634</u>	<u>473,746</u>	<u>(2,070)</u>	<u>(117,718)</u>	<u>(768,988)</u>	<u>(561,137)</u>	<u>2,847,245</u>
Amortization expense	<u>56,177</u>	<u>176,830</u>	<u>339,863</u>	<u>174,118</u>		<u>1,676</u>	<u>25,995</u>	<u>323,944</u>	<u>1,098,603</u>
NET REVENUE	<u>\$ 3,048,576</u>	<u>\$ (291,805)</u>	<u>\$ 493,771</u>	<u>\$ 299,628</u>	<u>\$ (2,070)</u>	<u>\$ (119,394)</u>	<u>\$ (794,983)</u>	<u>\$ (885,081)</u>	<u>\$ 1,748,642</u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hanna are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting Entity

The 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 and are, therefore, accountable to the Town 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.

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.

Significant financial statement areas requiring the use of management estimates include:

- Employee benefits obligations;
- Useful life of tangible capital assets;
- Accrued liabilities
- Fair value of contributed tangible capital assets

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

f) 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.

g) 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 tangible capital assets under the respective function.

h) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

i) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established annually by Town Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

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 Change in Net Financial Assets (Debt) 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
Land improvements	10 to 45
Buildings	25 to 50
Engineering structures	
Water system	45 to 75
Wastewater system	45 to 75
Other engineered structures	5 to 75
Machinery and equipment	5 to 40
Vehicles	10 to 40

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

ii. Contributions of Tangible Capital Assets

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

iii. 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

Historical buildings and works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. CASH AND TEMPORARY INVESTMENTS

	2020	2019
Cash	\$ <u>3,451,631</u>	\$ <u>4,568,578</u>

The Town received certain Alberta Government grants, Local Municipal grants and donations that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, \$122,220 (2019 - \$1,945,929) of the cash on hand are not available for general use by the Town.

The Royal Bank pays prime less 1.9% interest on funds maintained in the Town's general bank account.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2020	2019
Current taxes and grants in place receivables	\$ 132,487	\$ 196,386
Arrears taxes	<u>163,502</u>	<u>175,490</u>
	<u>\$ 295,989</u>	<u>\$ 371,876</u>

4. INVESTMENTS

	2020		2019	
	Cost	Market Value	Cost	Market Value
Federal, provincial and local government bonds	\$ 1,148,020	\$ 1,339,530	\$ 1,302,913	\$ 1,441,291
Other institutional and private corporation bonds	<u>847,964</u>	<u>870,672</u>	<u>524,070</u>	<u>524,284</u>
	<u>\$ 1,995,984</u>	<u>\$ 2,210,202</u>	<u>\$ 1,826,983</u>	<u>\$ 1,965,575</u>

Government and private corporation bonds have effective interest rates of 1.0% to 5.6% (2019 – 1.0% to 5.6%) with maturity dates from September 2021 to December 2048.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LOANS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Golf course loan receivable	\$ <u>68,000</u>	\$ <u>88,000</u>

In 2005, the Town of Hanna loaned the Hanna Golf and Country Club \$566,100 interest free. In 2021 the Town has forgiven the remaining outstanding balance on the loan receivable.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. DEFERRED REVENUE

	2020	2019
Alberta Municipal Sustainability Initiative	\$ 410,508	\$ 1,141,115
Federal Gas Tax Fund	146,380	430,307
Alberta Community Resilience Program	37,896	37,896
Alberta Economic Development and Trade Grant Program	20,915	20,915
Alberta Health Services Grants	20,000	10,000
Donations And Unearned Revenue	14,400	
Fire Donations	9,725	10,308
Alberta Fire Services Training Program	8,549	4,533
Family And Community Support Services	7,485	
Emergency Management Preparedness Program	3,250	3,250
Community Generation Capacity Building Program		188,605
Special Areas RCSC Recreation Advance		90,000
Arena Donations		9,000
	\$ 679,108	\$ 1,945,929

Alberta Municipal Sustainability Initiative

Provincial government funding is receivable in the current and prior years to undertake certain eligible infrastructure expenditures within the Town that have not yet been expended.

Federal Gas Tax Fund

Federal and provincial government funding is receivable in the current year to undertake certain eligible expenditures within the Town that have not yet been expended.

Alberta Community Resilience Program

Provincial government funding was received in the prior year to support the development of infrastructure to protect from flood and drought events that has not yet been expended.

Alberta Economic Development and Trade Grant Program

Provincial government funding was received to undertake expenditures within the Town under the Community Action to create diversification which have not yet been expended.

Alberta Health Services Grants

Funding was received in the prior and current year to undertake certain programs to promote healthy living within the town of Hanna which have not yet been expended.

Alberta Fire Services Training Program

Certain provincial government funding was received to undertake certain expenditures in the region for the purposes of fire department training that have not yet been expended.

Family and Community Support Services

Certain provincial government funding was received to undertake certain social programs and related expenditures within the Town which have not yet been expended.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
Vacation pay payable	\$ 190,099	\$ 165,975
Vested sick leave payable	148,950	151,985
Banked hours payable	3,987	6,772
	\$ 343,036	\$ 324,732

Vacation and banked overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Vested sick leave payable

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred to future years.

8. LONG TERM DEBT

	2020	2019
Capital lease obligation	\$ 283,954	\$ 308,870

The current portion of the long-term debt amounts to \$26,322 (2019 - \$24,916)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	\$ 26,322	\$ 14,960	\$ 41,282
2022	27,806	13,476	41,282
2023	229,826	10,036	239,862
	\$ 283,954	\$ 38,472	\$ 322,426

Obligation under capital lease is repayable in monthly instalments of \$3,440 including principal and interest at 5.50% and is due in October 2023. The obligation under capital lease is secured by certain capital equipment.

The Town's total cash payments for interest in 2020 were \$16,366 (2019 - \$17,696).

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. 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 Hanna be disclosed as follows:

	<u>2020</u>	<u>2019</u>
Total debt limit	\$ 10,430,907	\$ 10,196,081
Total debt	<u>283,954</u>	<u>308,870</u>
Amount of debit limit unused	<u>\$ 10,146,953</u>	<u>\$ 9,887,211</u>
Debt servicing limit	\$ 1,738,485	\$ 1,699,347
Debt servicing	<u>41,282</u>	<u>41,282</u>
Amount of debt servicing limit unused	<u>\$ 1,697,203</u>	<u>\$ 1,658,065</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 that 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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2020</u>	<u>2019</u>
Tangible capital assets (Schedule 1)	\$ 49,976,161	\$ 47,638,943
Accumulated amortization (Schedule 1)	(19,085,537)	(18,142,757)
Long-term debt (Note 8)	<u>(283,954)</u>	<u>(308,870)</u>
	<u>\$ 30,606,670</u>	<u>\$ 29,187,316</u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. ACCUMULATED SURPLUS

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ 5,255,458	\$ 5,079,670
Restricted surplus:		
Operating:		
Administrative	42,000	19,000
Police	1,306	1,306
Family and community support services	11,500	
Commercial building reserve	4,271	
Roads and streets	119,054	131,208
Recreation	22,400	14,400
General contingency	899,165	899,165
Capital:		
Common services	70,000	
Water	402,500	352,500
Wastewater	276,500	221,500
Recreation	154,093	130,118
Fitness centre	7,900	1,900
Culture	87,938	74,030
General contingency	47,873	47,873
Spray park		100,000
Equity in tangible capital assets	<u>30,606,670</u>	<u>29,187,316</u>
	<u>\$ 38,008,628</u>	<u>\$ 36,259,986</u>

12. TRUST FUNDS

The Town of Hanna administers the following trusts:

	<u>2020</u>	<u>2019</u>
Hiltbrand trust account	\$ 20,000	\$ 20,000
Geuder Educational bursary trust account	<u>72,599</u>	<u>76,342</u>
	<u>\$ 92,599</u>	<u>\$ 96,342</u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

13. SEGMENTED DISCLOSURE

The Town of Hanna provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 the followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

14. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2020 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<u>Budget Amount</u>
Revenue	
Budgeted revenues	\$ 9,768,079
Less:	
Transfer to other funds	<u>(234,000)</u>
Total revenues	<u>9,534,079</u>
Expenses	
Budgeted expenses	9,747,665
Less:	
Transfer to other funds	(485,635)
Capital expenses	(2,843,690)
Total expenses	<u>6,418,340</u>
Excess of revenue over expenses	<u>\$ 3,115,739</u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

15. SALARY AND BENEFITS

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

	2020			2019
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Mayor Warwick	\$ 18,489	\$ 962	\$ 19,451	\$ 26,653
Councillor Beaudoin	9,861	509	10,370	11,470
Councillor Campion	10,421	530	10,951	13,538
Councillor Deadlock	10,895	529	11,424	15,215
Councillor Jensen	9,861	509	10,370	12,210
Councillor Olsen	10,121	517	10,638	13,031
Councillor Stickel	9,861	117	9,978	10,680
Municipal Manager	139,994	37,109	177,103	170,760
Town Assessor	44,920		44,920	44,663

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.

16. 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 Public Sector Pension Plans Act. 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.

Total current service contributions by the Town to the LAPP in 2020 were \$120,297 (2019 - \$111,643). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2020 were \$108,425 (2019 - \$100,722).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion. This amount is not specifically allocated to the participating government organizations. The 2020 actuarial balance was not available at the date these financial statements were released.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

17.COMMITMENTS

The Town has entered into a memorandum of understanding with the Acadia Foundation, to assist with the repayment of debt associated with the Acadia Foundation's expansion. As of December 31, 2020 the Foundation's outstanding long term debt was \$169,555. The Town as a funding municipality to the Acadia Foundation, is committed to pay their proportional share of the borrowing based on the equalized assessment for the year in which the funds were borrowed.

On January 24, 2007 the Town became a shareholder of Palliser Regional Municipal Services Company Limited, a Part IX company under The Companies Act of Alberta. The company provides municipal planning services to its members. This investment commits the town to funding the annual operational and special needs of the company. Annually the Town is requisitioned as a shareholder determined by the Board, in the ordinary course of business, and based on the population and the tax assessment as determined by the Town who is a the shareholder. The requisition for 2020 was \$31,685 (2019 - \$31,685). The Town has the right to cease being a shareholder by giving 600 days notice.

The Town is committed under an agreement with the Marigold Library System to funding certain library initiatives annually based on a per capita formula. The Town provided funding of \$15,208 in 2020 (2019 - \$15,738). It is the understanding of the Town that it can withdraw from the agreement at anytime by giving a one-year notice period.

The Town has entered into a lease agreement with Neopost Canada Limited. to rent certain equipment in use at the Town. The aggregate future minimum lease payments are \$25,346 (2019 - \$32,105). The minimum lease payments for each of the next five succeeding years are as follows:

	2020	2019
Gross payments required in the first year subsequent	\$ 6,759	\$ 6,759
Gross payments required in the second year subsequent	6,759	6,759
Gross payments required in the third year subsequent	6,759	6,759
Gross payments required in the fourth year subsequent	5,069	6,759
Gross payments required in the fifth year subsequent	5,069	5,069
	\$ 25,346	\$ 32,105

18.CONTINGENCIES

The Town is a member of the Alberta Local Authorities Reciprocal 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.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

19.FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivable, investments, 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 and grants in place of taxes receivables 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 carrying value of the financial instrument approximates fair value.

20.BUDGET AMOUNTS

The 2020 budget for the Town was approved by council and has been reported in the financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

21.COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

22.APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
