

**TOWN OF HANNA
FINANCIAL STATEMENTS
FOR THE YEAR END DECEMBER 31, 2021**

**TOWN OF HANNA
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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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 (the "Town"), which comprise of the statement of financial position as at December 31, 2021 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, 2021, 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.

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 10.
- 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.

Ascend

**HANNA, ALBERTA
APRIL 12, 2022**

**ASCEND LLP
CHARTERED PROFESSIONAL ACCOUNTANTS**



TOWN OF HANNA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 4,895,188	\$ 3,451,631
Receivables		
Taxes and grants in place of taxes (Note 3)	94,168	295,989
Trade and other receivables	810,433	453,815
Receivables from other governments	1,341,707	1,042,141
Land inventory held for resale	1,245,862	1,406,264
Investments (Note 4)	1,794,437	1,995,984
Loans receivable (Note 5)	<u>68,000</u>	<u>68,000</u>
	<u>10,181,795</u>	<u>8,713,824</u>
LIABILITIES		
Accounts payable and accrued liabilities	189,195	277,743
Deposit liabilities	12,383	12,258
Deferred revenue (Note 6)	1,964,314	679,108
Employee benefit obligations (Note 7)	324,851	343,036
Long-term debt (Note 9)	<u>257,633</u>	<u>283,954</u>
	<u>2,748,376</u>	<u>1,596,099</u>
NET FINANCIAL ASSETS	<u>7,433,419</u>	<u>7,117,725</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	30,318,036	30,890,624
Prepaid expenses	247	279
Deposit on asset acquisitions	<u>59,708</u>	<u>59,708</u>
	<u>30,377,991</u>	<u>30,890,903</u>
ACCUMULATED SURPLUS	<u>\$ 37,811,410</u>	<u>\$ 38,008,628</u>
	COMMITMENTS (SEE NOTE 18)	
	CONTINGENCIES (SEE NOTE 19)	

TOWN OF HANNA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
REVENUE			
Net municipal taxes (Schedule 2)	\$ 2,767,702	\$ 2,769,853	\$ 2,806,993
User fees and sale of goods	2,378,595	2,586,673	2,208,934
Government transfers for operating (Schedule 3)	868,699	898,998	1,283,413
Investment income	71,400	81,370	149,059
Penalties and costs on taxes	25,500	24,710	50,383
Franchise and concession contracts	441,400	451,121	418,239
Transfers from local boards and agencies		200,000	
Fines	11,600	6,790	8,199
Other	<u>127,942</u>	<u>51,455</u>	<u>28,718</u>
Total Revenue	<u>6,692,838</u>	<u>7,070,970</u>	<u>6,953,938</u>
EXPENSES			
General government			
Council and other legislative	130,150	117,012	94,733
General administrative	952,605	909,793	1,120,806
Protective services			
Police	48,500	48,500	
Fire	285,540	462,331	400,519
Disaster and emergency measures	6,200	1,029	1,588
Bylaw enforcement	96,750	100,874	104,905
Transportation services			
Common and equipment pool	489,233	585,883	557,777
Roads, streets, walks, lighting	400,100	585,047	690,613
Storm sewers and drainage		15,467	15,467
Airport	27,330	65,630	73,452
Environmental services			
Water supply and distribution	1,098,700	1,107,272	1,050,543
Wastewater treatment and disposal	141,010	269,574	237,895
Waste management	410,200	410,095	376,287
Public health and welfare			
Family and community support	209,900	198,366	191,635
Cemeteries and crematoriums	29,520	22,143	36,787
Planning and development			
Economic development	250,720	237,930	251,472
Subdivision land and development		583,279	572,736
Recreation and culture			
Parks and recreation	1,192,787	1,558,709	1,326,219
Libraries, museums, halls	365,200	350,382	373,212
Recreation boards	<u>3,800</u>	<u>3,334</u>	<u>3,404</u>
Total Expenses	<u>6,138,245</u>	<u>7,632,650</u>	<u>7,480,050</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	554,593	(561,680)	(526,112)
Government transfers for capital (Schedule 3)	1,066,041	78,883	2,057,221
Donations	<u>7,400</u>	<u>285,579</u>	<u>217,533</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,628,034	(197,218)	1,748,642
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>38,008,628</u>	<u>38,008,628</u>	<u>36,259,986</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 39,636,662</u>	<u>\$ 37,811,410</u>	<u>\$ 38,008,628</u>

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

	Budget (Unaudited)	2021	2020
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ <u>1,628,034</u>	\$ <u>(197,218)</u>	\$ <u>1,748,642</u>
Acquisition of tangible capital assets	(660,600)	(570,804)	(2,510,355)
Amortization of tangible capital assets		1,137,784	1,098,603
Loss on disposal of tangible capital assets		5,608	17,314
Deposit for asset acquisitions	<u> </u>	<u>(59,708)</u>	<u> </u>
	<u>(660,600)</u>	<u>512,880</u>	<u>(1,394,438)</u>
Change in prepaid expenses	<u> </u>	<u>32</u>	<u>528</u>
INCREASE IN NET ASSETS	967,434	315,694	354,732
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>7,117,725</u>	<u>7,117,725</u>	<u>6,762,993</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 8,085,159</u>	<u>\$ 7,433,419</u>	<u>\$ 7,117,725</u>

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

	2021	2020
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (197,218)	\$ 1,748,642
Non-cash items included in excess of revenues over expenses:		
Amortization on tangible capital assets	1,137,784	1,098,603
Loss on disposal of tangible capital assets	<u>5,608</u>	<u>17,314</u>
	946,174	2,864,559
Changes in net financial asset (debt) items:		
Decrease in taxes and grants in place of taxes receivable	201,821	75,887
(Increase) decrease in trade and other receivables	(356,618)	84,183
Increase in receivables from other governments	(299,566)	(764,249)
Decrease in land inventory held for resale	160,402	572,736
Decrease in loans receivable	68,000	20,000
Decrease in prepaid expenses	32	528
Increase in deposit for asset acquisition	(59,708)	
Decrease in accounts payable and accrued liabilities	(88,548)	(20,078)
Increase in deposit liabilities	125	2,277
Increase (decrease) in deferred revenue	1,285,206	(1,266,821)
(Decrease) increase in employee benefit obligations	<u>(18,185)</u>	<u>18,304</u>
Cash provided by (applied to) operating transactions	<u>1,839,135</u>	<u>1,587,326</u>
CAPITAL		
Acquisition of tangible capital assets	<u>(570,804)</u>	<u>(2,510,356)</u>
INVESTING		
Decrease (increase) in investments	<u>201,547</u>	<u>(169,001)</u>
FINANCING		
Repayment of long-term debt	<u>(26,321)</u>	<u>(24,916)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,443,557	(1,116,947)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,451,631</u>	<u>4,568,578</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,895,188</u>	<u>\$ 3,451,631</u>

TOWN OF HANNA
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 1

	Construction in Progress	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
COST:									
BALANCE, BEGINNING OF YEAR	\$ 332,395	\$ 1,179,166	\$ 2,544,875	\$ 17,293,546	\$ 22,174,063	\$ 4,219,838	\$ 2,232,278	\$ 49,976,161	\$ 47,638,943
Acquisition of tangible capital assets	(326,787)		14,004	642,067		241,520		570,804	2,183,568
Construction-in-progress									326,787
Disposal of tangible capital assets	<u>(5,608)</u>							<u>(5,608)</u>	<u>(173,137)</u>
BALANCE, END OF YEAR		<u>1,179,166</u>	<u>2,558,879</u>	<u>17,935,613</u>	<u>22,174,063</u>	<u>4,461,358</u>	<u>2,232,278</u>	<u>50,541,357</u>	<u>49,976,161</u>
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR			1,009,657	4,523,366	9,815,876	2,569,475	1,167,163	19,085,537	18,142,757
Annual amortization			88,013	339,738	359,309	268,817	81,907	1,137,784	1,098,603
Disposals									<u>(155,823)</u>
BALANCE, END OF YEAR			<u>1,097,670</u>	<u>4,863,104</u>	<u>10,175,185</u>	<u>2,838,292</u>	<u>1,249,070</u>	<u>20,223,321</u>	<u>19,085,537</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$</u>	<u>\$ 1,179,166</u>	<u>\$ 1,461,209</u>	<u>\$ 13,072,509</u>	<u>\$ 11,998,878</u>	<u>\$ 1,623,066</u>	<u>\$ 983,208</u>	<u>\$ 30,318,036</u>	<u>\$ 30,890,624</u>
 2020 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>	

TOWN OF HANNA
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2021
Schedule 2

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	\$ 3,375,180	\$ 3,376,662	\$ 3,401,435
Linear property taxes	147,754	147,800	142,358
Government grants in place of property taxes	<u>66,768</u>	<u>67,387</u>	<u>66,650</u>
	<u>3,589,702</u>	<u>3,591,849</u>	<u>3,610,443</u>
REQUISITIONS			
Alberta School Foundation Fund	668,700	668,716	665,935
Acadia Seniors Foundation	<u>153,300</u>	<u>153,280</u>	<u>137,515</u>
	<u>822,000</u>	<u>821,996</u>	<u>803,450</u>
NET MUNICIPAL TAXES	<u>\$ 2,767,702</u>	<u>\$ 2,769,853</u>	<u>\$ 2,806,993</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2021
Schedule 3

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Provincial government	\$ 275,548	\$ 308,878	\$ 776,097
Federal government	78,600	39,300	46,050
Local governments	<u>514,551</u>	<u>550,820</u>	<u>461,266</u>
	<u>868,699</u>	<u>898,998</u>	<u>1,283,413</u>
TRANSFERS FOR CAPITAL			
Provincial government	1,066,041	59,707	1,607,737
Federal government			430,306
Local governments		<u>19,176</u>	<u>19,178</u>
	<u>1,066,041</u>	<u>78,883</u>	<u>2,057,221</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,934,740</u>	<u>\$ 977,881</u>	<u>\$ 3,340,634</u>

TOWN OF HANNA
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 4

	Budget (Unaudited)	2021	2020
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 2,219,950	\$ 2,235,332	\$ 2,182,034
Contracted and general services	1,725,967	1,879,571	1,703,853
Purchases from other governments	48,500	48,500	
Materials, goods, supplies and utilities	1,748,690	1,832,745	1,532,251
Provision for allowances	2,500	4,180	1,141
Transfers to local boards and agencies	105,300	147,776	142,100
Transfers to individuals and organizations	145,777	216,902	139,785
Bank charges and short-term interest	4,800	5,229	4,586
Interest on capital long-term debt	14,961	14,961	16,366
Amortization of tangible capital assets		1,137,784	1,098,603
Write down of land held for resale			572,736
Loss on disposal of tangible capital assets		5,608	17,314
Other expenses	121,800	104,062	69,281
	<u>\$ 6,138,245</u>	<u>\$ 7,632,650</u>	<u>\$ 7,480,050</u>

TOWN OF HANNA
SCHEDULE OF CHANGES IN ACCUMULATED OPERATING SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF YEAR	\$ <u>5,255,458</u>	\$ <u>2,146,500</u>	\$ <u>30,606,670</u>	\$ <u>38,008,628</u>	\$ <u>36,259,986</u>
Excess of revenues over expenses	(197,218)			(197,218)	1,748,642
Unrestricted funds designated for future use	(385,120)	385,120			
Restricted funds used for operations	19,761	(19,761)			
Restricted funds used for tangible capital assets		(51,084)	51,084		
Current year funds used for tangible capital assets	(519,720)		519,720		
Net book value of disposed tangible capital assets	5,608		(5,608)		
Annual amortization expense	1,137,784		(1,137,784)		
Long-term debt repaid	(26,321)		26,321		
Change in accumulated surplus	<u>34,774</u>	<u>314,275</u>	<u>(546,267)</u>	<u>(197,218)</u>	<u>1,748,642</u>
BALANCE, END OF YEAR	<u>\$ 5,290,232</u>	<u>\$ 2,460,775</u>	<u>\$ 30,060,403</u>	<u>\$ 37,811,410</u>	<u>\$ 38,008,628</u>

TOWN OF HANNA
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 taxes	\$ 2,769,853							\$ 2,769,853
User fees and sales of goods	42,083	177,442	9,965	1,808,260	25,560	226,870	296,493	2,586,673
Government transfers	457,950	81,023	10,130		122,281		227,614	898,998
Investment Income	81,370							81,370
Penalties	24,710							24,710
Franchise fees	451,121							451,121
Transfers from local boards						200,000		200,000
Fines		6,790						6,790
Other revenues				70	11,350		40,035	51,455
	<u>3,827,087</u>	<u>265,255</u>	<u>20,095</u>	<u>1,808,330</u>	<u>159,191</u>	<u>426,870</u>	<u>564,142</u>	<u>7,070,970</u>
EXPENSES								
Salaries and wages	477,176	199,432	409,336	159,546	113,647	136,994	739,201	2,235,332
Contract and general services	299,102	103,060	208,109	562,418	13,969	425,067	267,846	1,879,571
Purchases from other governments		48,500						48,500
Goods and supplies	39,398	48,717	241,302	888,887	90,474	189,073	334,894	1,832,745
Provision for allowance	4,180							4,180
Transfers to local boards		5,000				42,500	100,276	147,776
Transfers to organizations	127,652				555		88,695	216,902
Bank charges and interest	5,229							5,229
Interest on long-term debt			14,961					14,961
Loss on disposal of tangible capital assets							5,608	5,608
Other expenses	18,100	26,277	2,622	160		6,634	50,269	104,062
	<u>970,837</u>	<u>430,986</u>	<u>876,330</u>	<u>1,611,011</u>	<u>218,645</u>	<u>800,268</u>	<u>1,586,789</u>	<u>6,494,866</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION AND OTHER								
	<u>2,856,250</u>	<u>(165,731)</u>	<u>(856,235)</u>	<u>197,319</u>	<u>(59,454)</u>	<u>(373,398)</u>	<u>(1,022,647)</u>	<u>576,104</u>
Capital government transfers		78,883						78,883
Donations		197,666					87,913	285,579
Amortization expense	(55,968)	(181,748)	(375,697)	(175,930)	(1,864)	(20,941)	(325,636)	(1,137,784)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES								
	<u>\$ 2,800,282</u>	<u>\$ (70,930)</u>	<u>\$ (1,231,932)</u>	<u>\$ 21,389</u>	<u>\$ (61,318)</u>	<u>\$ (394,339)</u>	<u>\$ (1,260,370)</u>	<u>\$ (197,218)</u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hanna (the "Town") 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 Chartered Professional Accountants of Canada. 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 Public Sector Accounting Standards 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; and
- Fair value of contributed tangible capital assets

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Valuation of Financial Assets and Liabilities

The Town's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Land inventory held for resale	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Loans receivable and debt charges recoverable	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Deferred revenue	Cost
Employee benefit obligations	Cost
Bank indebtedness and long-term debt	Amortized cost

e) Cash and Cash Equivalents

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

f) Investments

Investments in interest bearing securities 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.

g) Loans Receivable

Loans receivable are initially recognized at cost, net of any transaction costs, with interest income recognized using the effective interest method. Loans receivable are subsequently measured at amortized cost net of any valuation allowances.

h) Long-term debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transactions costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

i) 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.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Land Inventories Held 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.

k) 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.

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.

l) 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 the Town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

m) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

n) 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.

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) 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 or when the asset is put into use. 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, 2021

2. CASH AND TEMPORARY INVESTMENTS

	2021	2020
Cash	\$ <u>4,895,188</u>	\$ <u>3,451,631</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, \$833,979 (2020 - \$122,220) 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

	2021	2020
Current taxes and grants in place receivables	\$ 48,960	\$ 132,487
Arrears taxes	<u>45,208</u>	<u>163,502</u>
	<u>\$ 94,168</u>	<u>\$ 295,989</u>

4. INVESTMENTS

	2021		2020	
	Cost	Market Value	Cost	Market Value
Federal, provincial and local government bonds	\$ 1,094,979	\$ 1,190,981	\$ 1,148,020	\$ 1,339,530
Other institutional and private corporation bonds	<u>699,458</u>	<u>699,906</u>	<u>847,964</u>	<u>870,672</u>
	<u>\$ 1,794,437</u>	<u>\$ 1,890,887</u>	<u>\$ 1,995,984</u>	<u>\$ 2,210,202</u>

Government and private corporation bonds have effective interest rates of 1.0% to 5.6% (2020 – 1.0% to 5.6%) with maturity dates from March 2022 to December 2048.

5. LOANS RECEIVABLE

	2021	2020
Golf course loan receivable	\$ <u> </u>	\$ <u>68,000</u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. DEFERRED REVENUE

	<u>2021</u>	<u>2020</u>
Alberta Municipal Sustainability Initiative	\$ 1,035,396	\$ 410,508
Canada Community-Building Fund	445,740	146,380
Special Areas Board	325,000	
Alberta Community Resilience Program	37,896	37,896
Family And Community Support Services	22,451	7,485
Alberta Economic Development and Trade Grant Program	20,915	20,915
Centennial Place Donations	19,254	
Hector King-Hunter Pioneer Park Donations	15,245	
Alberta Health Services Grants	14,017	20,000
Donations And Unearned Revenue	25,150	14,400
Emergency Management Preparedness Program	3,250	3,250
Fire Donations		9,725
Alberta Fire Services Training Program		8,549
	<u>\$ 1,964,314</u>	<u>\$ 679,108</u>

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.

Canada Community-Building Fund

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

Special Areas Board

The Special Areas Board provided funding in the current year for certain fire department capital projects which have not yet been expended.

Alberta Community Resilience Program

Provincial government funding was received to support the development of infrastructure to protect from flood and drought events that has 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.

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.

Centennial Place Donations

Donations were received in the current year year to undertake certain upgrades at Centennial Place which have not yet been expended.

Hector King-Hunter Pioneer Park Donations

Donations were received in the current year for certain projects at the Hector King-Hunter Pioneer Park which have not yet been expended.

Alberta Health Services Grants

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

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

7. EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vacation pay payable	\$ 161,347	\$ 190,099
Vested sick leave payable	158,651	148,950
Banked hours payable	4,853	3,987
	\$ 324,851	\$ 343,036

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. CONTAMINATED SITES LIABILITY

The Town did not identify any financial liabilities in 2021 (2020 - \$0) as a result of contaminated sites.

9. LONG TERM DEBT

	2021	2020
Capital lease obligation	\$ <u>257,633</u>	\$ <u>283,954</u>

The current portion of the long-term debt amounts to \$27,806 (2020 - \$26,322)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 27,806	\$ 13,476	\$ 41,282
2023	229,827	10,036	239,863
	\$ 257,633	\$ 23,512	\$ 281,145

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 with a net book value of \$260,439.

The Town's total cash payments for interest in 2021 were \$14,961 (2020 - \$16,366).

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. 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:

	2021	2020
Total debt limit	\$ 10,606,455	\$ 10,430,907
Total debt	257,633	283,954
Amount of debit limit unused	\$ 10,348,822	\$ 10,146,953
Debt servicing limit	\$ 1,767,743	\$ 1,738,485
Debt servicing	41,282	41,282
Amount of debt servicing limit unused	\$ 1,726,461	\$ 1,697,203

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.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 1)	\$ 50,541,357	\$ 49,976,161
Accumulated amortization (Schedule 1)	(20,223,321)	(19,085,537)
Long-term debt (Note 9)	(257,633)	(283,954)
	\$ 30,060,403	\$ 30,606,670

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

12. ACCUMULATED SURPLUS

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 5,290,232	\$ 5,255,458
Internally restricted surplus:		
Operating:		
Administrative	69,500	42,000
Police	1,306	1,306
Family and community support services	11,500	11,500
Commercial building reserve	17,565	4,271
Roads and streets	119,054	119,054
Recreation	22,400	22,400
General contingency	899,165	899,165
Capital:		
Administrative	5,826	
Common services	18,916	70,000
Water	452,500	402,500
Wastewater	326,500	276,500
Recreation	374,093	154,093
Fitness centre	2,781	7,900
Culture	91,796	87,938
General contingency	47,873	47,873
Equity in tangible capital assets (Note 11)	<u>30,060,403</u>	<u>30,606,670</u>
	<u>\$ 37,811,410</u>	<u>\$ 38,008,628</u>

13. TRUST FUNDS

The Town of Hanna administers the following trusts:

	<u>2021</u>	<u>2020</u>
Hiltbrand trust account	\$ 20,000	\$ 20,000
Tax sale trust account	57,441	3,423
Geuder Educational bursary trust account	<u>68,498</u>	<u>72,599</u>
	<u>\$ 145,939</u>	<u>\$ 96,022</u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

14.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 following in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

General government includes council and other legislative and general administration. Protective services includes police, fire, disaster and emergency services, and bylaw enforcement. Transportation includes common and equipment pool, roads, streets, walks and lighting, storm sewers and drainage, and airport. Environmental services includes water supply and distribution, wastewater treatment and disposal, and waste management. Public health and welfare includes family and community support and cemeteries and crematoriums. Planning and development includes economic development and subdivision land and development. Recreation and culture includes parks and recreation, libraries, museums and halls, and recreation boards.

15.BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2021 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	\$ 8,038,741
Less:	
Transfer to other funds	<u>(272,462)</u>
Total revenues	<u>7,766,279</u>
Expenses	
Budgeted expenses	8,038,741
Less:	
Transfer to other funds	(1,239,896)
Capital expenses	(660,600)
Total expenses	<u>6,138,245</u>
Excess of revenue over expenses	\$ <u><u>1,628,034</u></u>

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

16. 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:

	2021			2020
	<u>Salary</u>	<u>Benefits and allowances</u>	<u>Total</u>	<u>Total</u>
Councillors:				
Mayor Povaschuk	\$ 3,840	\$ 193	\$ 4,033	\$
Mayor Warwick	15,360	866	16,226	19,451
Councillor Beaudoin	10,240	535	10,775	10,370
Councillor Champion	10,240	595	10,835	10,951
Councillor Crowle	2,048	139	2,187	
Councillor Deadlock	8,192	457	8,649	11,424
Councillor Jensen	8,192	457	8,649	10,370
Councillor Murphy	2,048	113	2,161	
Councillor Olsen	10,240	584	10,824	10,638
Councillor Stickel	8,192	110	8,302	9,978
Councillor A. Warwick	2,048	105	2,153	
Chief Administrative Officer	150,384	17,080	167,464	177,103
Town Assessor	45,698		45,698	44,920

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.

3. The Town has entered into an agreement for assessment services with an independent contractor. Total cost totaled \$45,698 (2020 - \$44,920)

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

17. 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 2021 were \$97,876 (2020 - \$120,297). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2021 were \$88,000 (2020 - \$108,425).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 billion. This amount is not specifically allocated to the participating government organizations. The 2021 actuarial balance was not available at the date these financial statements were released.

18. COMMITMENTS

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 shareholder. The requisition for 2021 was \$32,635 (2020 - \$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 \$15,968 in 2021 (2020 - \$15,208). 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 \$18,587 (2020 - \$25,346). The minimum lease payments for each of the next three succeeding years are as follows:

	2021	2020
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	5,069	6,759
Gross payments required in the fourth year subsequent	5,069	5,069
	\$ 18,587	\$ 25,346

TOWN OF HANNA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

19. 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.

In the current year as a result of a natural event, certain damages were sustained to the Town's wastewater lift station. In 2021, the Town incurred certain repairs to the lift station in order to repair the damages. The Town has submitted these claims to its insurance provider and is expecting to receive proceeds to offset the cost of repairs. The amount of the expected proceeds is unknown and has not been recorded in the financial statements.

20. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations 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.

21. BUDGET AMOUNTS

The 2021 budget for the Town was approved by Council on May 11, 2021 and has been reported in the financial statement for information purposes only. Amortization was not considered in the budget and has not been included. These budget amounts have not been audited, reviewed, or otherwise verified.

22. CORRESPONDING FIGURES

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

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.
