

TOWN OF HANNA
Financial Statements
Year Ended December 31, 2023

TOWN OF HANNA
Contents
Year Ended December 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Hanna (the "Town") is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2023 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The Town Council carries out its responsibilities for review of the financial statements primarily through the Finance and Administration departments. Council meets annually with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to Council with and without the presence of management. The Town Council has approved the financial statements.

The financial statements have been audited by Ascend LLP, independent external auditors appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination, and their opinion on the Town's financial statements.

Kim Neill
Chief Administrative Officer

Winona Gutsche
Director of Corporate Services

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the Town of Hanna

Opinion

We have audited the financial statements of Town of Hanna (the Town), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net financial assets, and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2023, and the results of its operations and cash flows for the year then 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 in accordance with 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.

Emphasis of Matter

As disclosed in note 2, the Town of Hanna adopted *Canadian Public Sector Accounting Standards PS 3280 - Asset Retirement Obligations*. This new standard establishes how to account for, and disclose, liabilities for asset retirement obligations which are legal obligations associated with the retirement of tangible capital assets. This standard was adopted using the modified retroactive application method.

We also draw your attention to note 3 of these financial statements, which describes a prior period adjustment related to the impact of adopting the asset retirement obligation standard.

Our opinion is not modified with respect to these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS), and for such internal control as management determines is necessary to enable the preparation of 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 liquidate the Town or 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.

(continues)

Auditor's Responsibilities 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 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 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 Town'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 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 our auditor's report. However, future events or conditions may cause the Town 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.

We 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 we identify during our audit.

(*continues*)

Independent Auditor's Report to the Members of Council of the Town of Hanna (*continued*)

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 12.

Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

A handwritten signature in black ink that reads "Ascend". The letter "A" is large and stylized, with a long horizontal stroke that curves upwards at the end. The word "Ascend" is written in a cursive-like font.

Ascend LLP
Chartered Professional Accountants
Hanna, Alberta
May 10, 2024

TOWN OF HANNA
Statement of Financial Position
As at December 31, 2023

	2023	2022 <i>(Restated)</i>
FINANCIAL ASSETS		
Cash <i>(Note 4)</i>	\$ 5,944,452	\$ 5,179,330
Receivables		
Taxes and grants in place of taxes receivable <i>(Note 5)</i>	105,778	74,341
Trade and other receivables	512,313	510,040
Receivables from other governments	1,982,346	1,762,634
Land inventory held for resale	1,154,542	1,199,201
Investments <i>(Note 6)</i>	2,275,842	2,181,108
	<u>11,975,273</u>	<u>10,906,654</u>
LIABILITIES		
Accounts payable	345,478	169,621
Deposit liabilities	6,402	10,661
Deferred revenue <i>(Note 7)</i>	2,369,362	2,409,488
Employee benefit obligations <i>(Note 8)</i>	275,635	314,122
Long term debt <i>(Note 9)</i>	-	229,826
Asset retirement obligations <i>(Note 10)</i>	1,192,009	1,135,247
	<u>4,188,886</u>	<u>4,268,965</u>
NET FINANCIAL ASSETS	<u>7,786,387</u>	<u>6,637,689</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 1)</i>	30,086,016	30,083,945
Prepaid expenses	17,779	2,152
Deposits on asset acquisitions	-	59,708
	<u>30,103,795</u>	<u>30,145,805</u>
ACCUMULATED SURPLUS	<u>\$ 37,890,182</u>	<u>\$ 36,783,494</u>

CONTAMINATED SITES LIABILITY *(Note 11)*

COMMITMENTS *(Note 20)*

CONTINGENCIES *(Note 21)*

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Statement of Operations
Year Ended December 31, 2023

	Budget (Unaudited)	2023	2022 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 2,772,162	\$ 2,772,259	\$ 2,768,225
User fees and sale of goods	2,527,209	2,729,663	2,626,698
Government transfers for operating (Schedule 3)	1,732,118	1,327,996	885,589
Investment income	227,000	314,550	149,892
Penalties and costs on taxes	15,000	18,208	16,167
Franchise and concession contracts	536,000	508,895	513,491
Fines	7,100	4,133	6,296
Insurance proceeds	-	-	76,941
Other	508,150	156,038	49,472
Total Revenue	8,324,739	7,831,742	7,092,771
EXPENSES			
General government			
Council and other legislative	151,150	133,445	122,741
General administrative	989,523	1,018,637	994,196
Protective services			
Police	96,000	96,171	72,794
Fire	291,860	515,252	437,905
Disaster and emergency measures	13,400	11,353	15,459
Bylaw enforcement	80,200	80,616	81,469
Transportation services			
Common and equipment pool	563,485	606,528	644,504
Roads, streets, walks, lighting	431,300	652,708	635,647
Storm sewers and drainage	-	15,467	15,467
Airport	33,810	72,730	87,936
Environmental services			
Water supply and distribution	1,140,100	1,244,316	1,204,299
Wastewater treatment and disposal	162,320	279,435	254,705
Waste management	410,100	410,279	410,110
Public health and welfare			
Family and community support	205,561	186,530	231,109
Cemeteries and crematoriums	35,120	27,755	15,468
Planning and development			
Economic development	257,870	260,419	241,596
Subdivision land and development	-	45,376	204,236
Recreation and culture			
Parks and recreation	1,289,472	1,653,816	1,521,883
Libraries, museums, halls	410,176	433,651	383,605
Recreation boards	3,500	3,152	3,152
Total Expenses	6,564,947	7,747,636	7,578,281
EXCESS (SHORTFALL) OF REVENUE OVER			
EXPENSES - BEFORE OTHER	1,759,792	84,106	(485,510)
Government transfers for capital (Schedule 3)	352,500	802,582	470,949
Other capital revenue	-	220,000	-
Donations	-	-	15,245
EXCESS OF REVENUE OVER EXPENSES	2,112,292	1,106,688	684
ACCUMULATED SURPLUS, BEGINNING OF YEAR	37,783,494	36,783,494	36,782,810
ACCUMULATED SURPLUS, END OF YEAR	\$ 39,895,786	\$ 37,890,182	\$ 36,783,494

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Statement of Changes in Net Financial Assets
Year Ended December 31, 2023

	Budget <i>(Unaudited)</i>	2023	2022 <i>(Restated)</i>
EXCESS OF REVENUE OVER EXPENSES	\$ 2,112,292	\$ 1,106,688	\$ 684
Acquisition of tangible capital assets	(2,193,602)	(1,309,657)	(868,535)
Amortization of tangible capital assets	-	1,159,170	1,153,263
Proceeds on disposal of tangible capital assets	-	119,000	-
Loss on disposal of tangible capital assets	-	29,416	1,946
	(2,193,602)	(2,071)	286,674
Change in prepaids expenses	-	(15,627)	(1,905)
Change in deposit for asset acquisition	-	59,708	-
	(2,193,602)	42,010	284,769
INCREASE IN NET FINANCIAL ASSETS	(81,310)	1,148,698	285,453
NET FINANCIAL ASSETS, BEGINNING OF YEAR	6,637,689	6,637,689	6,352,236
NET FINANCIAL ASSETS, END OF YEAR	\$ 6,556,379	\$ 7,786,387	\$ 6,637,689

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022 <i>(Restated)</i>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of Revenue Over Expenses	\$ 1,106,688	\$ 684
Items not affecting cash:		
Amortization of tangible capital assets	1,159,170	1,153,263
Loss on disposal of tangible capital assets	29,416	1,946
Accretion of asset retirement obligations	56,762	54,060
	<u>2,352,036</u>	<u>1,209,953</u>
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivable	(31,437)	19,827
Trade and other receivables	(2,273)	300,393
Receivables from other governments	(219,712)	(420,927)
Land inventory held for resale	44,659	46,661
Accounts payable	175,857	(19,570)
Deposit liabilities	(4,259)	(1,722)
Deferred revenue	(40,126)	445,174
Employee benefit obligations	(38,487)	(10,729)
Prepaid expenses	(15,627)	(1,905)
Deposit for asset acquisition	59,708	-
	<u>(71,697)</u>	<u>357,202</u>
	<u>2,280,339</u>	<u>1,567,155</u>
CAPITAL		
Proceeds on disposal of tangible capital assets	119,000	-
Acquisition of tangible capital assets (<i>Schedule 1</i>)	(1,309,657)	(868,535)
	<u>(1,190,657)</u>	<u>(868,535)</u>
INVESTING		
Purchase of investments	(94,734)	(386,671)
FINANCING		
Repayment of long-term debt	(229,826)	(27,807)
CHANGE IN CASH DURING THE YEAR	765,122	284,142
CASH, BEGINNING OF YEAR	5,179,330	4,895,188
CASH, END OF YEAR	\$ 5,944,452	\$ 5,179,330

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Schedule of Tangible Capital Assets
Year Ended December 31, 2023

(Schedule 1)

	Land	Land Improvements	Buildings <i>(Restated)</i>	Engineered Structures <i>(Restated)</i>	Machinery and Equipment	Vehicles	2023	2022 <i>(Restated)</i>
COST								
BALANCE, BEGINNING OF YEAR	\$ 1,179,166	\$ 3,167,675	\$ 17,997,511	\$ 22,194,039	\$ 4,681,564	\$ 2,232,279	\$ 51,452,234	\$ 50,593,940
Acquisition of tangible capital assets	-	60,914	-	-	94,130	594,817	749,861	868,535
Construction-in-progress	-	298,941	231,381	29,474	-	-	559,796	-
Disposals of tangible capital assets	(16,984)	-	(143,016)	-	-	-	(160,000)	(10,241)
BALANCE, END OF YEAR	1,162,182	3,527,530	18,085,876	22,223,513	4,775,694	2,827,096	52,601,891	51,452,234
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	1,187,343	5,210,924	10,533,218	3,106,066	1,330,738	21,368,289	20,223,321
Annual amortization	-	110,398	345,981	357,808	255,641	89,342	1,159,170	1,153,263
Disposals	-	-	(11,584)	-	-	-	(11,584)	(8,295)
BALANCE, END OF YEAR	-	1,297,741	5,545,321	10,891,026	3,361,707	1,420,080	22,515,875	21,368,289
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,162,182	\$ 2,229,789	\$ 12,540,555	\$ 11,332,487	\$ 1,413,987	\$ 1,407,016	\$ 30,086,016	\$ 30,083,945
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 1,179,166	\$ 1,980,332	\$ 12,786,587	\$ 11,660,821	\$ 1,575,498	\$ 901,541	\$ 30,083,945	

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Schedule of Property and Other Taxes
Year Ended December 31, 2023

(Schedule 2)

	Budget (Unaudited)	2023	2022
TAXATION			
Real property taxes	\$ 3,394,154	\$ 3,393,056	\$ 3,397,294
Linear property taxes	151,220	151,220	146,683
Government grants in place of property taxes	63,488	64,641	66,055
	<u>3,608,862</u>	<u>3,608,917</u>	<u>3,610,032</u>
REQUISITIONS			
Alberta School Foundation Fund	661,800	661,795	671,677
Acadia Seniors Foundation	174,900	174,863	170,130
	<u>836,700</u>	<u>836,658</u>	<u>841,807</u>
NET MUNICIPAL TAXES	<u>\$ 2,772,162</u>	<u>\$ 2,772,259</u>	<u>\$ 2,768,225</u>

Schedule of Government Transfers
Year Ended December 31, 2023

(Schedule 3)

	Budget (Unaudited)	2023	2022
TRANSFERS FOR OPERATING			
Provincial government	\$ 877,032	\$ 411,513	\$ 256,530
Federal government	121,435	43,830	98,740
Local governments	733,651	872,653	530,319
	<u>\$ 1,732,118</u>	<u>\$ 1,327,996</u>	<u>\$ 885,589</u>
TRANSFERS FOR CAPITAL			
Provincial government	\$ 352,500	\$ 437,701	\$ -
Federal government	-	-	316,872
Local governments	-	364,881	154,077
	<u>\$ 352,500</u>	<u>\$ 802,582</u>	<u>\$ 470,949</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,084,618</u>	<u>\$ 2,130,578</u>	<u>\$ 1,356,538</u>

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA

Schedule of Expenses by Object

(Schedule 4)

Year Ended December 31, 2023

	Budget <i>(Unaudited)</i>	2023	2022 <i>(Restated)</i>
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 2,237,950	\$ 2,112,489	\$ 2,106,669
Contracted and general services	1,872,742	1,839,837	1,717,747
Purchases from other governments	96,000	96,171	72,794
Materials, goods, supplies and utilities	1,956,920	2,053,786	2,015,866
Provision for allowances	2,500	-	1,772
Transfers to local boards and agencies	111,500	112,060	161,627
Transfers to individuals and organizations	137,580	140,649	168,527
Bank charges and short-term interest	5,400	6,137	5,367
Interest on capital long-term debt <i>(Note 9)</i>	10,035	10,035	13,476
Amortization of tangible capital assets <i>(Schedule 1)</i>	-	1,159,170	1,153,263
Loss on disposal of tangible capital assets	-	29,416	1,946
Other expenses	134,320	131,124	105,167
Accretion of asset retirement obligations <i>(Note 10)</i>	-	56,762	54,060
	<u>\$ 6,564,947</u>	<u>\$ 7,747,636</u>	<u>\$ 7,578,281</u>

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA

Schedule of Changes in Accumulated Operating Surplus

(Schedule 5)

Year Ended December 31, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022 <i>(Restated)</i>
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY STATED	\$ 5,354,210	\$ 2,710,412	\$ 29,803,873	\$ 37,868,495	\$ 37,811,415
Prior period adjustment <i>(Note 3)</i>	-	-	(1,085,001)	(1,085,001)	(1,028,605)
BALANCE, BEGINNING OF YEAR, RESTATED	<u>5,354,210</u>	<u>2,710,412</u>	<u>28,718,872</u>	<u>36,783,494</u>	<u>36,782,810</u>
Excess of revenues over expenses	1,106,688	-	-	1,106,688	684
Unrestricted funds designated for future use	(698,595)	698,595	-	-	-
Restricted funds used for operations	94,618	(94,618)	-	-	-
Restricted funds used for tangible capital assets	-	(55,153)	55,153	-	-
Current year funds used for tangible capital assets	(1,254,504)	-	1,254,504	-	-
Net book value of disposed tangible capital assets	148,416	-	(148,416)	-	-
Annual amortization expense	1,159,170	-	(1,159,170)	-	-
Long-term debt repaid	(229,826)	-	229,826	-	-
Asset retirement obligations accretion expense	56,762	-	(56,762)	-	-
Change in accumulated surplus	<u>382,729</u>	<u>548,824</u>	<u>175,135</u>	<u>1,106,688</u>	<u>684</u>
BALANCE, END OF YEAR	<u>\$ 5,736,939</u>	<u>\$ 3,259,236</u>	<u>\$ 28,894,007</u>	<u>\$ 37,890,182</u>	<u>\$ 36,783,494</u>

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Schedule of Segmented Disclosure
Year Ended December 31, 2023

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health and Welfare	Planning and Development	Recreation and Culture	Total
Revenue								
Net municipal taxes	\$ 2,772,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,772,259
User fees and sales of goods	35,568	163,641	27,878	1,933,204	22,373	55,920	491,079	2,729,663
Government transfers for operating	945,666	96,847	10,122	-	102,175	-	173,186	1,327,996
Investment Income	314,550	-	-	-	-	-	-	314,550
Penalties and costs on taxes	18,208	-	-	-	-	-	-	18,208
Franchise and concession contracts	508,895	-	-	-	-	-	-	508,895
Fines	-	4,133	-	-	-	-	-	4,133
Other	120,000	943	-	16	100	129	34,850	156,038
	<u>4,715,146</u>	<u>265,564</u>	<u>38,000</u>	<u>1,933,220</u>	<u>124,648</u>	<u>56,049</u>	<u>699,115</u>	<u>7,831,742</u>
Expenses								
Salaries, wages and benefits	496,294	133,644	392,441	147,616	92,621	132,653	717,220	2,112,489
Contract and general services	380,464	190,480	231,029	589,629	23,074	89,228	335,933	1,839,837
Purchases from other governments	-	96,171	-	-	-	-	-	96,171
Materials, goods, supplies and utilities	56,598	58,317	322,458	1,000,367	96,027	64,578	455,441	2,053,786
Transfers to local boards and agencies	-	10,000	-	-	-	-	102,060	112,060
Transfers to individuals and organizations	122,466	-	-	-	639	-	17,544	140,649
Bank charges and short-term interest	6,137	-	-	-	-	-	-	6,137
Interest on capital long-term debt	-	-	10,035	-	-	-	-	10,035
Loss on disposal of tangible capital assets	29,416	-	-	-	-	-	-	29,416
Other expenses	7,314	21,312	2,645	30	-	6,074	93,749	131,124
	<u>1,098,689</u>	<u>509,924</u>	<u>958,608</u>	<u>1,737,642</u>	<u>212,361</u>	<u>292,533</u>	<u>1,721,947</u>	<u>6,531,704</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION AND OTHER	<u>3,616,457</u>	<u>(244,360)</u>	<u>(920,608)</u>	<u>195,578</u>	<u>(87,713)</u>	<u>(236,484)</u>	<u>(1,022,832)</u>	<u>1,300,038</u>
Government transfers for capital	-	562,701	239,881	-	-	-	-	802,582
Other capital revenue	-	220,000	-	-	-	-	-	220,000
Amortization of tangible capital assets	(53,393)	(193,468)	(383,352)	(169,441)	(1,924)	(13,262)	(344,330)	(1,159,170)
Accretion of asset retirement obligations	-	-	(5,473)	(26,947)	-	-	(24,342)	(56,762)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 3,563,064</u>	<u>\$ 344,873</u>	<u>\$ (1,069,552)</u>	<u>\$ (810)</u>	<u>\$ (89,637)</u>	<u>\$ (249,746)</u>	<u>\$ (1,391,504)</u>	<u>\$ 1,106,688</u>

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

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;
- Allowance for doubtful accounts;
- Fair value of contributed tangible capital assets; and
- Asset retirement obligations.

(continues)

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

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 realizable value
Land inventory held for resale	Lower of cost or net realizable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Employee benefit obligations	Cost
Asset retirement obligations	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.

(continues)

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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) Asset Retirement

Asset retirement obligations are legal obligations associated with the retirement of a tangible capital asset (TCA). Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date;

- a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- b) the past transaction or event giving rise to the liability has occurred;
- c) it is expected that future economic benefits will be given up; and
- d) a reasonable estimate of the amount can be made.

The Town recognizes liabilities in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the tangible capital assets. The obligations are initially measured at management's best estimate of the requirements to settle the retirement obligation. Costs are only discounted where the amount and timing are known with certainty such that discounting would result in a more accurate measurement of the liability.

(continues)

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Asset Retirement (continued)

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

(m) 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 its management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(n) 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 are 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.

(o) 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.

(continues)

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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 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 asset is amortized on a straight-line basis over the estimated useful life as follows:

	<u>YEARS</u>
Land improvements	10 to 45
Buildings	25 to 50
Engineered 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

ii. Contributions of Tangible Capital Assets

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

2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2023, the Town adopted *Canadian Public Sector Accounting Standards PS 3280 - Asset Retirement Obligations*. Under this new standard, a liability for a legal obligation associated with the retirement of a tangible capital asset is now recognized when the asset is acquired. The cost base of the asset is increased by an amount equal to the liability and amortized along with the acquisition costs. The Town has adopted this standard using modified retroactive application where prior periods have been restated using assumptions and information current at the effective date. These financial statements disclose the impact of this adoption of accounting policy in note 10.

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

3. PRIOR PERIOD ADJUSTMENTS

The Town adopted *Canadian Public Sector Accounting Standards PS 3280 - Asset Retirement Obligations* as described in note 2 of these financial statements. The December 31, 2022, statement of financial position is adjusted in providing corresponding figures in the December 31, 2023, financial statements. Previously reported December 31, 2022, operating surplus is impacted by a net decrease of \$56,396 due to the new standard for the increase in ARO Accretion expense of \$54,060 and amortization of ARO Assets of \$2,336. The opening balance of accumulated surplus as at January 1, 2022 is decreased by \$1,081,187 due to adoption of the new standard and an increase in net book value of ARO Assets of \$52,582.

4. CASH

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, \$633,276 (2022 - \$833,144) of the cash on hand is 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.

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2023</u>	<u>2022</u>
Current taxes and grants in place	\$ 68,362	\$ 26,397
Arrears taxes	<u>37,416</u>	<u>47,944</u>
	<u>\$ 105,778</u>	<u>\$ 74,341</u>

6. INVESTMENTS

	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>
	Cost	Market value	Cost	Market value
At amortized cost:				
Federal, provincial and local government bonds	\$ 1,372,591	\$ 1,322,971	\$ 1,347,796	\$ 1,264,757
Other institutional and private corporation bonds	783,251	759,425	733,312	682,636
Guaranteed investment certificate	120,000	-	100,000	-
	<u>\$ 2,275,842</u>	<u>\$ 2,082,396</u>	<u>\$ 2,181,108</u>	<u>\$ 1,947,393</u>

Government and private corporation bonds have effective interest rates of 1.0% to 5.6% (2022 – 1.0% to 5.6%) with maturity dates from June 2024 to December 2048.

Guaranteed investment certificate bears interest at 5.15% and matures June 2024.

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

7. DEFERRED REVENUE

	<u>2023</u>	<u>2022</u>
Alberta Municipal Sustainability Initiative	\$ 1,352,927	\$ 1,313,012
Canada Community-Building Fund	759,557	599,359
Special Areas Board	134,023	380,023
Alberta Community Resilience Program	37,896	37,896
Centennial Place donations	21,435	21,435
Alberta Economic Development and Trade Grant Program	20,915	20,915
Donations and unearned revenue	15,150	15,150
Alberta Health Services Grants	14,866	20,852
Fire Service Training Grant	12,593	-
Hector King-Hunter Pioneer Park Donations	-	846
	<u>\$ 2,369,362</u>	<u>\$ 2,409,488</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 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 and prior years for certain fire department capital projects which have not yet been fully 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.

Centennial Place Donations

Donations were received in prior years to undertake certain upgrades at Centennial Place which have not yet been expended.

Alberta Economic Development and Trade Grant Program

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

Alberta Health Services Grants

Funding was received in the current and prior years to undertake certain programs to promote healthy living within the Town which have not yet been fully expended.

Fire Service Training Grant

Provincial government funding was received in the current year for fire services training that has not yet been expended.

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

8. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2023</u>	<u>2022</u>
Vacation pay payable	\$ 140,047	\$ 164,994
Vested sick leave payable	133,227	137,754
Banked hours payable	2,361	11,374
	<u>\$ 275,635</u>	<u>\$ 314,122</u>

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.

9. LONG TERM DEBT

	<u>2023</u>	<u>2022</u>
Capital lease obligation	\$ -	\$ 229,826

The current portion of the long-term debt amounts to \$0 (2022 - \$229,826)

The Town's total cash payments for interest in 2023 were \$10,035 (2022 - \$13,476).

10. ASSET RETIREMENT OBLIGATIONS

Asbestos abatement

The Town owns buildings which contain asbestos and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of this buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed.

The liability is based on management's best estimate. Undiscounted future cash flows expected are an abatement cost between year 2033 and 2043 of \$1,639,390. The estimated total liability of \$626,675 (2022 - \$596,833) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 5%. The Town has not designated assets for settling the abatement activities.

Lagoon reclamation

The Town operates lagoon sites and is legally required to perform reclamation of the land surface upon retirement of these sites. Reclamation activities include disposal of waste, removal of overflow culvert and other structures, lagoon deconstruction, surface restoration, and landscaping. A liability for the total obligation has been accrued. The Town estimates that no obligation is incurred incrementally due to volume of wastewater accepted; therefore, no further obligation is being accrued based on volume of wastewater.

The liability is based on management's best estimate. Discounted future cash flows expected include closure costs in year 2043 of \$1,500,000. The estimated total liability of \$565,334 (2022 - \$538,414) is based on the discounted future cash flows for reclamation activities using a discount rate of 5%. The Town has not designated assets for settling the reclamation activities.

(continues)

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

10. ASSET RETIREMENT OBLIGATIONS (continued)

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,135,247	\$ 1,081,187
Accretion expense	<u>56,762</u>	<u>54,060</u>
Estimated total liability	<u>\$ 1,192,009</u>	<u>\$ 1,135,247</u>

11. CONTAMINATED SITES LIABILITY

During the year, the Town has identified a financial liability as a result of contaminated sites.

The Town conducted exploratory work for future road and infrastructure improvements in 2023. Soil samples taken from this work were analyzed and a portion were found to be contaminated.

The extent and severity of the contamination cannot be evaluated or estimated until the associated roads are removed, as a result, the financial liability relating to these sites cannot be reasonably estimated and no accrual has been made in these financial statements.

12. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Hanna be disclosed as follows

	<u>2023</u>	<u>2022</u>
Total debt limit	\$ 11,747,613	\$ 10,639,157
Total debt	-	229,826
Amount of debt limit unused	<u>\$ 11,747,613</u>	<u>\$ 10,409,331</u>
Service on debt limit	\$ 1,957,936	\$ 1,773,193
Service on debt	-	41,282
Amount of debt servicing limit used	<u>\$ 1,957,936</u>	<u>\$ 1,731,911</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principal and interest payments due on long-term debt in the 12 months subsequent to year-end less amounts that are recoverable.

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

13. EQUITY IN TANGIBLE CAPITAL ASSET

	<u>2023</u>	<u>2022</u> <i>(Restated)</i>
Tangible capital assets <i>(Schedule 1)</i>	\$ 52,601,891	\$ 51,452,234
Accumulated amortization <i>(Schedule 1)</i>	(22,515,875)	(21,368,289)
Long-term debt <i>(Note 9)</i>	-	(229,826)
Asset retirement obligations <i>(Note 10)</i>	<u>(1,192,009)</u>	<u>(1,135,247)</u>
	\$ 28,894,007	\$ 28,718,872

14. ACCUMULATED SURPLUS

	<u>2023</u>	<u>2022</u> <i>(Restated)</i>
Unrestricted Surplus	\$ 5,736,939	\$ 5,354,210
Internally restricted surplus:		
Operating:		
Administrative	60,459	81,500
Police	1,306	1,306
Family and community support services	11,500	21,500
Commercial building reserve	31,165	31,165
Roads and streets	119,054	119,054
Recreation	32,400	32,400
General contingency	899,165	899,165
Capital:		
Administrative	7,776	9,857
Water	542,500	520,000
Wastewater	389,000	376,500
Recreation	469,593	392,243
Fitness centre	5,781	8,781
Culture	96,796	96,796
General contingency	47,873	47,873
Fire	55,023	55,023
Garbage	35,638	17,249
Streets and roads	442,826	-
Cemetery	11,381	-
Equity in Tangible Capital Assets <i>(Note 13)</i>	<u>28,894,007</u>	<u>28,718,872</u>
	\$ 37,890,182	\$ 36,783,494

15. TRUST FUNDS

The Town administers the following trusts:

	<u>2023</u>	<u>2022</u>
Hiltbrand trust	\$ 20,000	\$ 20,000
Tax sale trust	66,804	57,441
Geuder Educational bursary trust	<u>61,621</u>	<u>64,508</u>
	\$ 148,425	\$ 141,949

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

16. SEGMENTED DISCLOSURE

The Town of Hanna 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 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.

17. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2023 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	\$ 9,701,523
Less:	
Transfer to other funds	<u>(1,024,284)</u>
Total revenues	<u>8,677,239</u>
Expenses	
Budgeted expenses	9,447,763
Less:	
Transfer to other funds	(689,214)
Capital expenses	<u>(2,193,602)</u>
Total expenses	<u>6,564,947</u>
Excess of revenue over expenses	<u>\$ 2,112,292</u>

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

18. 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:

	Salary	Benefits and allowances	2023	2022
Councillors				
Mayor Povaschuk	\$ 20,700	\$ 1,066	\$ 21,766	\$ 21,278
Councillor Beaudoin	11,110	527	11,637	11,421
Councillor Campion	-	-	-	5,164
Councillor Crowle	11,635	515	12,150	11,489
Councillor Murphy	11,210	515	11,725	12,123
Councillor Olsen	10,885	527	11,412	11,024
Councillor Thuroo	11,335	515	11,850	3,586
Councillor A. Warwick	14,060	527	14,587	12,900
Chief Administrative Officer	\$ 150,004	\$ 16,229	\$ 166,233	\$ 166,126
Town Assessor	\$ 46,827	\$ -	\$ 46,827	\$ 46,249

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 was \$46,827 (2022 - \$46,249).

19. 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 services are recorded as expenditures in the year in which they become due.

	2023	2022
Current service contributions by the Town	\$ 86,937	\$ 81,364
Current service contributions by the employees	77,089	72,200
	<u>\$ 164,026</u>	<u>\$ 153,564</u>

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 12.23% on pensionable earnings above this amount.

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.67 billion. This amount is not specifically allocated to the participating government organizations. The 2023 actuarial balance was not available at the date these financial statements were released.

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

20. COMMITMENTS

On January 24, 2007 the Town became a shareholder of Palliser Regional Municipal Services Company Limited (the "Company"), 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 the year was \$39,000 (2022 - \$33,614). 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 during the year of \$16,878 (2022 - \$16,062). 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 by the Town. The aggregate future minimum lease payments are \$5,069 (2022 - \$11,828). The minimum lease payments for each of the next year are as follows:

	<u>2023</u>	<u>2022</u>
Gross payments required in the first year subsequent	\$ 5,069	\$ 6,759
Gross payments required in the second year subsequent	-	5,069
	<u>\$ 5,069</u>	<u>\$ 11,828</u>

21. 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.

22. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, receivables, investments, accounts payable, deposit liabilities, employee benefit obligations, and asset retirement obligations. 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. The Town is exposed to market price risk from investments in bonds instruments whose value fluctuates with changes in quoted market prices.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

23. BUDGET AMOUNTS

The 2023 budget for the Town was approved by Council on March 14, 2023 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.

TOWN OF HANNA
Notes to Financial Statements
Year Ended December 31, 2023

24. SUBSEQUENT EVENTS

For the purpose of the accompanying financial statements, subsequent events have been evaluated by management.

There were no subsequent events that would have a material impact on these financial statements.

25. CORRESPONDING FIGURES

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

26. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.