

**TOWN OF HANNA  
FINANCIAL STATEMENTS  
FOR THE YEAR END DECEMBER 31, 2019**

**TOWN OF HANNA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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CHARTERED PROFESSIONAL  
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## INDEPENDENT AUDITOR'S REPORT

### To the Members of Council:

#### *Opinion*

We have audited the financial statements of the Town of Hanna, which comprise of the statement of financial position as at, December 31, 2019 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, 2019, 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:



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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However future events or conditions may cause the Town to cease to continue to be a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Report on Other Legal and Regulatory Requirements*

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

HANNA, ALBERTA  
MARCH 6, 2020

  
CHARTERED PROFESSIONAL ACCOUNTANTS

**TOWN OF HANNA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b> <b>(Restated)</b>
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	\$ 4,568,578	\$ 3,045,533
Receivables		
Taxes and grants in place of taxes (Note 3)	371,876	234,199
Trade and other receivables	537,998	596,319
Receivables from other governments	277,892	1,077,705
Land inventory held for resale	1,979,000	1,979,000
Investments (Note 4)	1,826,983	1,932,854
Loans receivable (Note 5)	<u>88,000</u>	<u>88,000</u>
	<u>9,650,327</u>	<u>8,953,610</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	300,822	453,933
Deposit liabilities	6,981	5,132
Deferred revenue (Note 6)	1,945,929	1,431,949
Employee benefit obligations (Note 7)	324,732	296,882
Long-term debt (Note 8)	<u>308,870</u>	<u>332,456</u>
	<u>2,887,334</u>	<u>2,520,352</u>
<b>NET FINANCIAL ASSETS</b>	<u>6,762,993</u>	<u>6,433,258</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 1)	29,496,186	29,533,152
Prepaid expenses	<u>807</u>	<u>192</u>
	<u>29,496,993</u>	<u>29,533,344</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 36,259,986</u>	<u>\$ 35,966,602</u>
	<b>COMMITMENTS (SEE NOTE 17)</b>	
	<b>CONTINGENCIES (SEE NOTE 18)</b>	

**TOWN OF HANNA**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget (Unaudited)	2019	2018 (Restated)
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 2,873,323	\$ 2,855,216	\$ 2,866,460
User fees and sale of goods	2,540,600	2,326,174	2,411,077
Government transfers for operating (Schedule 3)	1,331,076	962,492	1,046,323
Investment income	89,400	128,577	104,572
Penalties and costs on taxes	50,300	50,523	49,404
Franchise and concession contracts	381,400	411,661	394,403
Fines	14,600	16,643	9,835
Insurance proceeds			77,710
Other	59,100	44,912	55,858
Gain on disposal of tangible capital assets		1,189	185,832
<b>Total Revenue</b>	<u>7,339,799</u>	<u>6,797,387</u>	<u>7,201,474</u>
<b>EXPENSES</b>			
Legislative	134,300	121,964	121,841
Administration	1,306,907	1,200,752	1,210,303
Protective services	394,700	603,161	557,106
Transportation	941,640	1,261,711	1,254,678
Water supply and distribution	1,199,200	1,060,438	1,322,079
Wastewater treatment and disposal	176,770	226,182	259,899
Waste management	339,300	340,620	340,330
Public health and welfare	241,100	242,677	206,030
Economic development	261,920	288,641	295,210
Parks and recreation	1,303,900	1,472,166	1,550,943
Culture	434,940	408,670	444,245
<b>Total Expenses</b>	<u>6,734,677</u>	<u>7,226,982</u>	<u>7,562,664</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	605,122	(429,595)	(361,190)
Government transfers for capital (Schedule 3)	500,050	331,700	1,699,432
Contributed and donated assets	627,130	391,279	374,541
<b>EXCESS OF REVENUE OVER EXPENSES</b>	1,732,302	293,384	1,712,783
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>35,966,602</u>	<u>35,966,602</u>	<u>34,253,819</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 37,698,904</u>	<u>\$ 36,259,986</u>	<u>\$ 35,966,602</u>

**TOWN OF HANNA**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budget (Unaudited)	2019	2018 (Restated)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ <u>1,732,302</u>	\$ <u>293,384</u>	\$ <u>1,712,783</u>
Acquisition of tangible capital assets	(2,697,466)	(998,008)	(2,605,989)
Tangible capital assets received as contributions			(160,000)
Amortization of tangible capital assets		1,034,973	985,119
Gain on sale of tangible capital assets		(1,189)	(185,831)
Proceeds on disposition of tangible capital assets	<u>                    </u>	<u>1,190</u>	<u>350,000</u>
	<u>(2,697,466)</u>	<u>36,966</u>	<u>(1,616,701)</u>
Change in prepaid expenses	<u>                    </u>	<u>(615)</u>	<u>                    </u>
<b>INCREASE IN NET ASSETS</b>	(965,164)	329,735	96,082
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<u>6,433,258</u>	<u>6,433,258</u>	<u>6,337,176</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<u>\$ 5,468,094</u>	<u>\$ 6,762,993</u>	<u>\$ 6,433,258</u>

**TOWN OF HANNA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess of revenues over expenses	\$ 293,384	\$ 1,712,783
Non-cash items included in excess of revenues over expenses:		
Amortization on tangible capital assets	1,034,973	985,119
Gain on sale of tangible capital assets	(1,189)	(185,831)
Tangible capital assets received as contributions	<u>                    </u>	<u>(160,000)</u>
	1,327,168	2,352,071
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	(137,677)	(43,686)
Decrease(increase) in trade and other receivables	58,321	(36,026)
Decrease(increase) in receivables from other governments	799,813	153,648
Decrease(increase) in prepaid expenses	(615)	
Increase(decrease) in accounts payable and accrued liabilities	(153,111)	333,861
Increase(decrease) in deposit liabilities	1,849	(628)
Increase(decrease) in deferred revenue	513,980	10,371
Increase(decrease) in employee benefit obligations	<u>27,850</u>	<u>(8,108)</u>
Cash provided by (applied to) operating transactions	<u>2,437,578</u>	<u>2,761,503</u>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(998,008)	(2,266,286)
Proceeds on sale of tangible capital assets	<u>1,190</u>	<u>350,000</u>
Cash provided by (applied to) capital transactions	<u>(996,818)</u>	<u>(1,916,286)</u>
<b>INVESTING</b>		
Decrease(increase) in investments	<u>105,871</u>	<u>(77,247)</u>
<b>FINANCING</b>		
Repayment of obligation under capital lease	<u>(23,586)</u>	<u>(7,247)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	1,523,045	760,723
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,045,533</u>	<u>2,284,810</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,568,578</u>	<u>\$ 3,045,533</u>



**TOWN OF HANNA**  
**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Schedule 1

	Construction in Progress	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
<b>COST:</b>									
BALANCE, BEGINNING OF YEAR		\$ 1,067,666	\$ 2,544,875	\$ 16,857,273	\$ 20,366,799	\$ 3,674,812	\$ 2,159,510	\$ 46,670,935	\$ 44,313,574
Acquisition of tangible capital assets		95,000		304,205		470,460	65,002	934,667	2,765,989
Construction-in-progress	\$ 63,341						(30,000)	63,341	
Disposal of tangible capital assets								(30,000)	(408,628)
BALANCE, END OF YEAR	<u>63,341</u>	<u>1,162,666</u>	<u>2,544,875</u>	<u>17,161,478</u>	<u>20,366,799</u>	<u>4,145,272</u>	<u>2,194,512</u>	<u>47,638,943</u>	<u>46,670,935</u>
<b>ACCUMULATED AMORTIZATION:</b>									
BALANCE, BEGINNING OF YEAR			829,419	3,871,182	9,345,027	2,063,967	1,028,188	17,137,783	16,397,123
Annual amortization			90,569	321,794	297,358	241,562	83,690	1,034,973	985,119
Disposals							(29,999)	(29,999)	(244,459)
BALANCE, END OF YEAR			<u>919,988</u>	<u>4,192,976</u>	<u>9,642,385</u>	<u>2,305,529</u>	<u>1,081,879</u>	<u>18,142,757</u>	<u>17,137,783</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ <u>63,341</u>	\$ <u>1,162,666</u>	\$ <u>1,624,887</u>	\$ <u>12,968,502</u>	\$ <u>10,724,414</u>	\$ <u>1,839,743</u>	\$ <u>1,112,633</u>	\$ <u>29,496,186</u>	\$ <u>29,533,152</u>
<b>2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	\$ _____	\$ <u>1,067,666</u>	\$ <u>1,715,456</u>	\$ <u>12,986,091</u>	\$ <u>11,021,772</u>	\$ <u>1,610,845</u>	\$ <u>1,131,322</u>	\$ <u>29,533,152</u>	\$ _____

**TOWN OF HANNA**  
**SCHEDULE OF PROPERTY AND OTHER TAXES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**Schedule 2**

	Budget (Unaudited)	2019	2018
<b>TAXATION</b>			
Real property taxes	\$ 3,455,155	\$ 3,431,692	\$ 3,429,031
Linear property taxes	147,315	147,317	149,073
Government grants in place of property taxes	<u>92,853</u>	<u>81,121</u>	<u>92,246</u>
	<u>3,695,323</u>	<u>3,660,130</u>	<u>3,670,350</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	691,500	674,452	691,482
Acadia Seniors Foundation	<u>130,500</u>	<u>130,462</u>	<u>112,408</u>
	<u>822,000</u>	<u>804,914</u>	<u>803,890</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 2,873,323</u>	<u>\$ 2,855,216</u>	<u>\$ 2,866,460</u>

**SCHEDULE OF GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**Schedule 3**

	Budget (Unaudited)	2019	2018
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 707,051	\$ 486,318	\$ 560,656
Federal government	15,500	21,027	20,821
Local governments	<u>608,525</u>	<u>455,147</u>	<u>464,846</u>
	<u>1,331,076</u>	<u>962,492</u>	<u>1,046,323</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	500,050	201,273	1,584,375
Local governments	<u>500,050</u>	<u>130,427</u>	<u>115,057</u>
	<u>500,050</u>	<u>331,700</u>	<u>1,699,432</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 1,831,126</u>	<u>\$ 1,294,192</u>	<u>\$ 2,745,755</u>

**TOWN OF HANNA**  
**SCHEDULE OF EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**Schedule 4**

	Budget (Unaudited)	2019	2018
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 2,353,636	\$ 2,348,597	\$ 2,298,747
Contracted and general services	2,101,291	1,685,466	1,943,299
Materials, goods, supplies and utilities	1,853,950	1,653,011	1,735,160
Provision for allowances	2,500	35,775	
Transfers to local boards and agencies	109,100	143,741	154,270
Transfers to individuals and organizations	141,600	231,318	373,511
Bank charges and short term interest	4,800	4,846	4,858
Interest on capital long term debt		17,696	3,074
Amortization of tangible capital assets		1,034,973	985,119
Loss on disposal of tangible capital assets			1
Other expenses	167,800	71,559	64,625
	<u>\$ 6,734,677</u>	<u>\$ 7,226,982</u>	<u>\$ 7,562,664</u>

TOWN OF HANNA  
 SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018 (Restated)
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 4,791,461	\$ 1,974,445	\$ 29,200,696	\$ 35,966,602	\$ 34,253,819
Excess of revenues over expenses	293,384			293,384	1,712,783
Unrestricted funds designated for future use	(203,000)	203,000			
Restricted funds used for tangible capital assets		(184,445)	184,445		
Current year funds used for tangible capital assets	(813,563)		813,563		
Disposal of tangible capital assets	1		(1)		
Annual amortization expense	1,034,973		(1,034,973)		
Long term debt repaid	(23,586)		23,586		
Change in accumulated surplus	288,209	18,555	(13,380)	293,384	1,712,783
<b>BALANCE, END OF YEAR</b>	<b>\$ 5,079,670</b>	<b>\$ 1,993,000</b>	<b>\$ 29,187,316</b>	<b>\$ 36,259,986</b>	<b>\$ 35,966,602</b>

**TOWN OF HANNA**  
**SCHEDULE OF SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Water / Wastewater	Waste Management	Public Health & Welfare	Development & Planning	Recreation & Culture	Total
<b>REVENUE</b>									
Net municipal taxes	\$ 2,855,216	\$	\$	\$	\$	\$	\$	\$	\$ 2,855,216
User fees and sales of goods	47,675	162,271	9,303	1,331,901	342,096	17,054	21,242	394,632	2,326,174
Government transfers	556,268	176,805	115,449			91,298	326	354,046	1,294,192
Investment Income	128,577								128,577
Penalties	50,523								50,523
Franchise fees	411,661	16,643							411,661
Fines			1,189		25	1,710		48,177	1,189
Gain on disposal		386,279							386,279
Other revenues									
	<u>4,049,920</u>	<u>741,998</u>	<u>125,941</u>	<u>1,331,901</u>	<u>342,121</u>	<u>110,062</u>	<u>21,568</u>	<u>796,855</u>	<u>7,520,366</u>
<b>EXPENSES</b>									
Salaries & wages	482,973	204,847	433,459	142,520		152,310	174,862	757,626	2,348,597
Contract & general services	542,978	99,246	246,454	126,778	340,308	16,649	17,564	295,489	1,685,466
Goods & supplies	52,427	57,180	245,351	845,420	312	71,429	27,008	353,884	1,653,011
Provision for allowance	35,775								35,775
Transfers to local boards		7,500					40,000	96,241	143,741
Transfers to organizations	127,669	78,540				611		24,498	231,318
Bank charges and interest	4,846								4,846
Long-term debt interest									17,696
Other expenses	<u>19,661</u>	<u>6,709</u>	<u>17,696</u>			<u>2</u>	<u>2,819</u>	<u>40,676</u>	<u>71,559</u>
	<u>1,266,329</u>	<u>454,022</u>	<u>944,652</u>	<u>1,114,718</u>	<u>340,620</u>	<u>241,001</u>	<u>262,253</u>	<u>1,568,414</u>	<u>6,192,009</u>
<b>NET REVENUE, BEFORE AMORTIZATION</b>	<u>2,783,591</u>	<u>287,976</u>	<u>(818,711)</u>	<u>217,183</u>	<u>1,501</u>	<u>(130,939)</u>	<u>(240,685)</u>	<u>(771,559)</u>	<u>1,328,357</u>
Amortization expense	<u>56,387</u>	<u>149,139</u>	<u>317,059</u>	<u>171,902</u>		<u>1,676</u>	<u>26,388</u>	<u>312,422</u>	<u>1,034,973</u>
<b>NET REVENUE</b>	<u>\$ 2,727,204</u>	<u>\$ 138,837</u>	<u>\$ (1,135,770)</u>	<u>\$ 45,281</u>	<u>\$ 1,501</u>	<u>\$ (132,615)</u>	<u>\$ (267,073)</u>	<u>\$ (1,083,981)</u>	<u>\$ 293,384</u>

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Reporting Entity**

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**b) Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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

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

**d) Cash and Cash Equivalents**

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

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**1.. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**f) Requisition Over-levy and Under-levy**

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**g) Inventories for Resale**

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective function.

**h) Prepaid Local Improvement Charges**

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

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

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

**i) Net Municipal Taxes**

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

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**1.. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j) Government Transfers**

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

**k) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

**i. Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<b>YEARS</b>
Land improvements	10 to 45
Buildings	25 to 50
Engineering structures	
Water system	45 to 75
Wastewater system	45 to 75
Other engineered structures	5 to 75
Machinery and equipment	5 to 40
Vehicles	10 to 40

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

**ii. Contributions of Tangible Capital Assets**

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

**iii. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**iv. Inventories**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

**v. Cultural and Historical Tangible Capital Assets**

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



**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. CASH AND TEMPORARY INVESTMENTS**

	<u>2019</u>	<u>2018</u>
Cash	\$ <u>4,568,578</u>	\$ <u>3,045,533</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, \$1,945,929 (2018 - \$869,978) 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**

	<u>2019</u>	<u>2018</u>
Current taxes and grants in place receivables	\$ 196,386	\$ 142,415
Arrears taxes	<u>175,490</u>	<u>91,784</u>
	<u>\$ 371,876</u>	<u>\$ 234,199</u>

**4. INVESTMENTS**

	<u>2019</u>		<u>2018</u>	
	Cost	Market Value	Cost	Market Value
Federal, provincial and local government bonds	\$ 1,302,913	\$ 1,441,291	\$ 1,514,204	\$ 1,611,809
Other institutional and private corporation bonds	<u>524,070</u>	<u>524,284</u>	<u>418,650</u>	<u>413,428</u>
	<u>\$ 1,826,983</u>	<u>\$ 1,965,575</u>	<u>\$ 1,932,854</u>	<u>\$ 2,025,237</u>

Government and private corporation bonds have effective interest rates of 1.0% to 5.6% (2018 – 1.0% to 5.6%) with maturity dates from June 2020 to December 2048.

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**5. LOANS RECEIVABLE**

	<u>2019</u>	<u>2018</u>
Golf course loan receivable	\$ <u>88,000</u>	\$ <u>88,000</u>

In 2005, the Town of Hanna loaned the Hanna Golf and Country Club \$566,100 interest free. The amount outstanding is due on demand and has no set terms of repayment. This will be recovered by the repayment from Hanna Golf and Country Club.

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**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**6. DEFERRED REVENUE**

	<b>2019</b>	<b>2018 (Restated)</b>
Alberta Municipal Sustainability Initiative	\$ 1,141,115	\$ 893,983
Federal Gas Tax Fund	430,307	141,139
Community Generation Capacity Building Program	188,605	
Special Areas RCSC Recreation Advance	90,000	180,000
Alberta Community Resilience Program	37,896	37,896
Alberta Economic Development and Trade Grant Program	20,915	158,962
Alberta Fire Services Training Program	4,533	10,969
Fire Donations	10,308	
Alberta Health Services Healthy Community Grant	10,000	
Arena Donations	9,000	9,000
Emergency Management Preparedness Program	3,250	
	<u>\$ 1,945,929</u>	<u>\$ 1,431,949</u>

**Alberta Municipal Sustainability Initiative**

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

**Federal Gas Tax Fund**

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

**Community Generation Capacity Building Program**

Certain provincial government funding was received in the current year to undertake a feasibility study to develop a renewable energy resource inventory, which has not been expended

**Special Areas RCSC Recreation Advance**

The Special Areas Board provided the town an advance that relates to grants to be received for the years 2011 to 2021 in the amount of \$90,000 per year. This advance was used for the construction of the Regional Community Services Centre.

**Alberta Community Resilience Program**

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

**Alberta Economic Development and Trade Grant Program**

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

**Alberta Fire Services Training Program**

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

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**7. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2019</u>	<u>2018</u>
Vacation pay payable	\$ 165,975	\$ 148,042
Vested sick leave payable	151,985	137,864
Banked hours payable	<u>6,772</u>	<u>10,976</u>
	<u>\$ 324,732</u>	<u>\$ 296,882</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.

**8. LONG TERM DEBT**

	<u>2019</u>	<u>2018</u>
Capital lease obligation	\$ <u>308,870</u>	\$ <u>332,456</u>

The current portion of the long-term debt amounts to \$24,916 (2018 - \$23,586)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 24,916	\$ 16,366	\$ 41,282
2021	26,322	14,960	41,282
2022	27,806	13,476	41,282
2023	<u>229,826</u>	<u>10,036</u>	<u>239,862</u>
	<u>\$ 308,870</u>	<u>\$ 54,838</u>	<u>\$ 363,708</u>

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

The Town's total cash payments for interest in 2019 were \$17,696 (2018 - \$3,074).

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**9. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Hanna be disclosed as follows:

	<b>2019</b>	<b>2018</b>
Total debt limit	\$ 10,196,081	\$ 10,802,211
Total debt	308,870	332,456
Amount of debit limit unused	\$ 9,887,211	\$ 10,469,755
Debt servicing limit	\$ 1,699,347	\$ 1,800,369
Debt servicing	41,282	41,282
Amount of debt servicing limit unused	\$ 1,658,065	\$ 1,759,087

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**10. EQUITY IN TANGIBLE CAPITAL ASSETS**

	<b>2019</b>	<b>2018</b>
Tangible capital assets (Schedule 1)	\$ 47,638,943	\$ 46,670,935
Accumulated amortization (Schedule 1)	(18,142,757)	(17,137,783)
Long-term debt (Note 8)	(308,870)	(332,456)
	\$ 29,187,316	\$ 29,200,696

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**11. ACCUMULATED SURPLUS**

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 5,079,670	\$ 4,791,461
Restricted surplus:		
Operating:		
Administrative	19,000	19,000
Police	1,306	1,306
Roads and streets	131,208	131,208
Recreation	14,400	14,400
General contingency	899,165	899,165
Capital:		
Water	352,500	350,000
Wastewater	221,500	174,000
Recreation	130,118	190,853
Fitness centre	1,900	9,210
Culture	74,030	87,430
General contingency	47,873	47,873
Spray park	100,000	50,000
Equity in tangible capital assets	<u>29,187,316</u>	<u>29,200,696</u>
	<u>\$ 36,259,986</u>	<u>\$ 35,966,602</u>

**12. TRUST FUNDS**

The Town of Hanna administers the following trusts:

	<u>2019</u>	<u>2018</u>
Hiltbrand trust account	\$ 20,000	\$ 20,000
Geuder Educational bursary trust account	<u>76,342</u>	<u>79,218</u>
	<u>\$ 96,342</u>	<u>\$ 99,218</u>

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**13.SEGMENTED DISCLOSURE**

The Town of Hanna provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with the followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

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**14.BUDGET DATA**

The unaudited budget data presented in these financial statements is based upon the 2019 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><b>Budget Amount</b></u>
<b>Revenue</b>	
Budgeted revenues	\$ 9,538,143
Less:	
Transfer to other funds	<u>(1,071,164)</u>
Total revenues	<u>8,466,979</u>
<b>Expenses</b>	
Budgeted expenses	9,538,143
Less:	
Transfer to other funds	(106,000)
Capital expenses	(2,697,466)
Total expenses	<u>6,734,677</u>
<b>Excess of revenue over expenses</b>	<u><u>\$ 1,732,302</u></u>

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**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**15. SALARY AND BENEFITS**

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

	2019			2018
	Salary	Benefits & allowances	Total	Total
Councillors:				
Mayor Warwick	\$ 25,624	\$ 1,029	\$ 26,653	\$ 28,393
Councillor Beaudoin	10,983	487	11,470	12,166
Councillor Campion	12,982	556	13,538	14,137
Councillor Deadlock	14,644	571	15,215	16,986
Councillor Jensen	11,692	518	12,210	11,037
Councillor Olsen	12,483	548	13,031	13,260
Councillor Stickel	10,552	128	10,680	9,993
Municipal Manager	135,008	35,752	170,760	166,326
Town Assessor	44,663		44,663	43,663

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

**16. LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$111,643 (2018 - \$126,201). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2019 were \$100,722 (2018 - \$115,011).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion. This amount is not specifically allocated to the participating government organizations. The 2019 actuarial balance was not available at the date these financial statements were released.



**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**17.COMMITMENTS**

The Town has entered into a memorandum of understanding with the Acadia Foundation, to assist with the repayment of debt associated with the Acadia Foundation's expansion. As of December 31, 2019 the Foundation's outstanding long term debt was \$750,796. The Town as a funding municipality to the Acadia Foundation, is committed to pay their proportional share of the borrowing based on the equalized assessment for the year in which the funds were borrowed.

On January 24, 2007 the Town became a shareholder of Palliser Regional Municipal Services Company Limited, a Part IX company under The Companies Act of Alberta. The company provides municipal planning services to its members. This investment commits the town to funding the annual operational and special needs of the company. Annually the Town is requisitioned as a shareholder determined by the Board, in the ordinary course of business, and based on the population and the tax assessment as determined by the Town who is a the shareholder. The requisition for 2019 was \$31,685 (2018 - \$31,063). 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 \$15,738 in 2019 (2018 - \$15,508). 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 \$32,105 (2018 - \$6,700). The minimum lease payments for each of the next five succeeding years are as follows:

	2019	2018
Gross payments required in the first year subsequent	\$ 6,759	\$ 6,700
Gross payments required in the second year subsequent	6,759	
Gross payments required in the third year subsequent	6,759	
Gross payments required in the fourth year subsequent	6,759	
Gross payments required in the fifth year subsequent	5,069	
	\$ 32,105	\$ 6,700

**18.CONTINGENCIES**

The Town is a member of the Alberta Local Authorities Reciprocal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

**TOWN OF HANNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**19. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

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**20. PRIOR PERIOD ADJUSTMENTS**

The prior period financial statements have been restated to correct the reporting of deferred revenue. As a result of the adjustment deferred revenue has increased by \$27,692 and unrestricted surplus has decreased by \$27,692.

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**21. BUDGET AMOUNTS**

The 2019 budget for the Town was approved by council and has been reported in the financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

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**22. COMPARATIVE FIGURES**

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

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**23. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.

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