

TOWN OF HARDISTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

AUDITOR'S REPORT

To the Mayor and Council of the Town of Hardisty:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Town of Hardisty, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Hardisty as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

M.D. of Wainwright

February 27, 2018

A handwritten signature in black ink, appearing to read "Brian King".

Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash (Note 2)	1,226,385	1,241,905
Term deposits (Note 2)	343,716	186,211
Taxes and grants in place of taxes (Note 3)	165,182	124,684
Trade, government other receivables	68,019	79,845
Receivable from other governments	320,571	16,154
Inventory held for resale	80,121	81,343
Local improvement receivable	110,583	120,330
Other financial assets	11,100	11,100
	<u>2,325,677</u>	<u>1,861,572</u>
LIABILITIES		
Accounts payable and accrued liabilities	149,713	126,294
Deposits held in trust	156,717	181,365
Deferred revenue (Note 5)	716,981	464,335
Long term debt (Note 6)	170,045	200,568
	<u>1,193,456</u>	<u>972,562</u>
NET FINANCIAL ASSETS	<u>1,132,221</u>	<u>889,010</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>7,742,659</u>	<u>7,807,580</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>8,874,880</u>	<u>8,696,590</u>

APPROVED Feb 27, 2018 via Council Motion #42/18



MAYOR - DOLIS IRVING



CAO - SANDY OTTO

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
REVENUE			
Net municipal property taxes (Schedule 3)	1,071,308	1,040,920	969,850
User fees and sales of goods	554,400	566,383	540,309
Penalties	12,000	41,005	32,330
Licenses and permits	7,500	51,192	60,998
Fines	-	-	186
Franchise and concession contracts	98,000	96,791	87,395
Investment income	1,500	13,966	12,555
Rentals	9,600	11,964	18,414
Government transfers for operating	35,500	67,294	43,868
Other	19,500	126,925	232,121
	<u>1,809,308</u>	<u>2,016,440</u>	<u>1,998,026</u>
EXPENSES			
Legislative	67,000	66,020	53,008
Administration	476,900	453,119	426,344
Protective services	71,450	50,965	97,972
Transportation	406,725	355,539	333,443
Water supply and distribution	183,000	198,236	226,852
Wastewater treatment and disposal	67,000	78,744	144,457
Waste management	106,086	103,529	102,986
Public health and welfare	92,400	163,422	32,515
Planning and development	45,000	36,323	32,821
Recreation	59,800	43,519	50,021
Culture	63,600	66,685	114,706
Amortization	-	274,355	265,951
Loss (gain) on disposal of assets	-	12,691	(5,723)
	<u>1,638,961</u>	<u>1,903,147</u>	<u>1,875,353</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	170,347	113,293	122,673
OTHER			
Government transfers for capital (Schedule 4)	297,756	64,997	215,769
EXCESS OF REVENUE OVER EXPENSES	468,103	178,290	338,442
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>8,696,590</u>	<u>8,696,590</u>	<u>8,358,148</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>9,164,693</u></u>	<u><u>8,874,880</u></u>	<u><u>8,696,590</u></u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
EXCESS OF REVENUE OVER EXPENSES	<u>468,103</u>	<u>178,290</u>	<u>338,442</u>
Acquisition of tangible capital assets	(417,000)	(233,625)	(285,941)
Proceeds on disposal of tangible capital assets	-	11,500	178,223
Amortization of tangible capital assets	-	274,355	265,951
Loss (gain) on sale of tangible capital assets	-	12,691	(5,723)
	<u>(417,000)</u>	<u>64,921</u>	<u>152,510</u>
INCREASE IN NET FINANCIAL ASSETS	51,103	243,211	490,952
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>889,010</u>	<u>889,010</u>	<u>398,058</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>940,113</u>	<u>1,132,221</u>	<u>889,010</u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	178,290	338,442
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	274,355	265,951
Loss (gain) on disposal of tangible capital assets	12,691	(5,723)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(40,498)	(13,383)
Decrease (increase) in trade and other receivables	11,826	147,906
Decrease (increase) in receivable from other governments	(304,417)	64,378
Decrease (increase) in inventory held for resale	1,222	2,037
Decrease (increase) in local improvement levy	9,747	9,318
Decrease (increase) in other financial assets	-	2,632
Increase (decrease) in accounts payable and accrued liabilities	23,419	(5,192)
Increase (decrease) in deposits held in trust	(24,648)	113,541
Increase (decrease) in deferred revenue	252,646	89,046
	394,633	1,008,953
CAPITAL		
Acquisition of tangible capital assets	(233,625)	(285,941)
Sale of tangible capital assets	11,500	178,223
	(222,125)	(107,718)
INVESTING		
Decrease (increase) in term deposits	(157,505)	6,804
	(157,505)	6,804
FINANCING		
Long-term debt repaid	(30,523)	(38,758)
	(30,523)	(38,758)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(15,520)	869,281
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,241,905	372,624
CASH AND CASH EQUIVALENTS, END OF YEAR	1,226,385	1,241,905
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	1,226,185	1,241,705
	1,226,385	1,241,905

TOWN OF HARDISTY

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	624,915	464,663	7,607,012	8,696,590	8,358,148
Excess (deficiency) of revenues over expenses	178,290	-	-	178,290	338,442
Unrestricted funds designated for future use	(197,430)	197,430	-	-	-
Restricted funds used for tangible capital assets	-	(10,000)	10,000	-	-
Current year funds used for tangible capital assets	(114,958)	-	114,958	-	-
Contributed tangible capital assets	(108,667)	-	108,667	-	-
Disposal of tangible capital assets	24,191	-	(24,191)	-	-
Annual amortization expense	274,355	-	(274,355)	-	-
Net long term debt repaid or issued	(7,724)	(22,799)	30,523	-	-
Change in accumulated surplus	48,057	164,631	(34,398)	178,290	338,442
BALANCE, END OF YEAR	672,972	629,294	7,572,614	8,874,880	8,696,590

TOWN OF HARDISTY

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2016	2015
COST:								
Balance - beginning of year	96,270	447,296	1,287,038	9,035,132	281,598	562,870	11,710,204	11,598,263
Acquisition of tangible capital assets	-	108,667	22,905	28,476	73,577	-	233,625	263,047
Construction in progress	-	-	-	-	-	-	-	22,894
Disposal of tangible capital assets	-	-	-	-	64,475	25,000	89,475	174,000
Balance - end of year	96,270	555,963	1,309,943	9,063,608	290,700	537,870	11,854,354	11,710,204
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	115,783	443,599	2,958,465	144,765	240,012	3,902,624	3,638,173
Annual amortization	-	16,721	25,970	178,990	26,751	25,923	274,355	265,951
Accumulated amortization on disposals	-	-	-	-	40,284	25,000	65,284	1,500
Balance - end of year	-	132,504	469,569	3,137,455	131,232	240,935	4,111,695	3,902,624
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	423,459	840,374	5,926,153	159,468	296,935	7,742,659	7,807,580
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	331,513	843,439	6,076,667	136,833	322,858	7,807,580	

TOWN OF HARDISTY

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 3)

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	1,289,117	1,273,729	1,185,746
Linear property taxes	29,706	29,706	28,889
Local improvement taxes	15,000	-	-
	<u>1,333,823</u>	<u>1,303,435</u>	<u>1,214,635</u>
REQUISITIONS			
Alberta School Foundation	242,295	242,295	225,699
Flagstaff Regional Housing Group	20,220	20,220	19,086
	<u>262,515</u>	<u>262,515</u>	<u>244,785</u>
NET MUNICIPAL TAXES	<u>1,071,308</u>	<u>1,040,920</u>	<u>969,850</u>

TOWN OF HARDISTY

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 4)

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING			
Provincial Government	19,000	19,015	21,676
Local Governments	16,500	48,279	22,192
	<u>35,500</u>	<u>67,294</u>	<u>43,868</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	7,510	11,654
Provincial Government	297,756	57,487	204,115
	<u>297,756</u>	<u>64,997</u>	<u>215,769</u>
TOTAL GOVERNMENT TRANSFERS	<u>333,256</u>	<u>132,291</u>	<u>259,637</u>

TOWN OF HARDISTY

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 5)

	Budget (Unaudited)	2016	2015
Expenditures			
Salaries, wages and benefits	663,800	650,130	537,686
Contracted and general services	652,961	651,413	741,479
Purchases from other governments	4,500	4,828	4,839
Materials, goods and utilities	253,500	235,287	248,658
Provision for allowances	1,500	76	28,442
Transfers to local boards and agencies	19,200	18,666	23,736
Transfers to individuals and agencies	9,000	20,965	-
Bank charges and short term interest	19,000	22,413	19,372
Interest on capital long term debt	9,500	7,407	8,597
Other expenditures	6,000	4,916	2,316
Amortization of tangible capital assets	-	274,355	265,951
Loss on disposal of tangible capital assets	-	12,691	(5,723)
	<u>1,638,961</u>	<u>1,903,147</u>	<u>1,875,353</u>

TOWN OF HARDISTY

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	1,040,920	-	-	-	-	-	-	1,040,920
User fees and sales of goods	16,668	10,338	-	479,338	11,345	6,850	41,844	566,383
Penalties and costs on taxes	41,005	-	-	-	-	-	-	41,005
Licenses and permits	3,300	430	-	-	-	47,462	-	51,192
Fines	-	-	-	-	-	-	-	-
Franchise and concession contracts	96,791	-	-	-	-	-	-	96,791
Investment income	13,966	-	-	-	-	-	-	13,966
Rentals	-	-	-	-	-	11,964	-	11,964
Government transfers	19,015	48,279	-	-	-	-	-	67,294
Other	-	450	108,667	3,734	9,774	-	4,300	126,925
	<u>1,231,665</u>	<u>59,497</u>	<u>108,667</u>	<u>483,072</u>	<u>21,119</u>	<u>66,276</u>	<u>46,144</u>	<u>2,016,440</u>
EXPENSES								
Salaries, wages and benefits	287,677	11,925	118,338	122,094	110,096	-	-	650,130
Contracted and general services	154,299	24,829	145,488	197,144	20,389	36,323	72,941	651,413
Purchases from other governments	-	4,828	-	-	-	-	-	4,828
Materials, goods and utilities	28,793	9,383	91,713	53,864	26,547	-	24,987	235,287
Provision for allowances	76	-	-	-	-	-	-	76
Transfers to local boards and agencies	-	-	-	-	6,390	-	12,276	18,666
Transfers to individuals and agencies	20,965	-	-	-	-	-	-	20,965
Bank charges and short term interest	22,413	-	-	-	-	-	-	22,413
Interest on capital long term debt	-	-	-	7,407	-	-	-	7,407
Other expenditures	4,916	-	-	-	-	-	-	4,916
	<u>519,139</u>	<u>50,965</u>	<u>355,539</u>	<u>380,509</u>	<u>163,422</u>	<u>36,323</u>	<u>110,204</u>	<u>1,616,101</u>
NET REVENUE, BEFORE AMORTIZATION	<u>712,526</u>	<u>8,532</u>	<u>(246,872)</u>	<u>102,563</u>	<u>(142,303)</u>	<u>29,953</u>	<u>(64,060)</u>	<u>400,339</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	12,652	26,975	107,906	113,960	3,000	-	9,862	274,355
Loss on disposal of tangible capital assets	-	(7,500)	20,191	-	-	-	-	12,691
	<u>12,652</u>	<u>19,475</u>	<u>128,097</u>	<u>113,960</u>	<u>3,000</u>	<u>-</u>	<u>9,862</u>	<u>287,046</u>
NET REVENUE	<u>699,874</u>	<u>(10,943)</u>	<u>(374,969)</u>	<u>(11,397)</u>	<u>(145,303)</u>	<u>29,953</u>	<u>(73,922)</u>	<u>113,293</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Hardisty are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting Entity

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

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

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

b) Basis of Accounting

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

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

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

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

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

d) Investments

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

e) Requisition Over-levy and Under-levy

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

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

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

f) Inventories for Resale

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

g) Government Transfers

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

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

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Non-Financial Assets

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

i. Tangible Capital Assets

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

	YEARS
Buildings	50
Engineered structures - other	25-75
Engineered structures - water system	50-75
Engineered structures - wastewater system	50
Land improvements	20
Machinery and equipment	5-15
Vehicles	10-25

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

ii. Contributions of Tangible Capital Assets

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

iii. Leases

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

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. CASH AND TERM DEPOSITS

	<u>2016</u>	<u>2015</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 5)	320,587	385,584
Included in cash and term deposits are amounts held for deposits in trust	156,717	181,365
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	<u>629,294</u>	<u>464,663</u>
Total restricted cash and term deposits	<u>1,106,598</u>	<u>1,031,612</u>
Total unrestricted cash and term deposits	<u>463,503</u>	<u>396,504</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2016</u>	<u>2015</u>
Current taxes and grants in place of taxes	80,510	59,486
Arrears taxes	85,002	65,528
Property held by the village as a result of tax forfeiture	<u>22,299</u>	<u>22,299</u>
	187,811	147,313
Less: allowance for doubtful accounts	<u>22,629</u>	<u>22,629</u>
	<u>165,182</u>	<u>124,684</u>

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$400,000 bearing interest at prime, secured by a borrowing resolution authorizing the overdraft.

5. DEFERRED INCOME

Deferred income consists of the following:	<u>2016</u>	<u>2015</u>
Municipal Sustainability Initiative - capital	492,835	302,565
Federal Gas Tax	125,509	83,019
Property tax prepayments	83,637	78,751
Other	15,000	-
	<u>716,981</u>	<u>464,335</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

6. LONG TERM DEBT

	2016	2015
Canadian Imperial Bank of Commerce	63,181	82,114
Alberta Capital Finance Authority	106,864	118,454
	170,045	200,568
	170,045	200,568

Principal and interest payments are as follows:

	Principal	Interest	Total
2017	31,085	6,643	37,728
2018	31,675	5,480	37,155
2019	32,293	4,294	36,587
2020	20,389	3,235	23,624
2021	14,688	2,444	17,132
Thereafter	39,915	2,916	42,831
	170,045	25,012	195,057

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 4.795% and matures in 2024 and is secured by the credit and security of the town at large.

Canadian Imperial Bank of Commerce debt bears interest floating at prime and matures in 2020 and is secured by the credit and security of the town at large.

The town's total cash payments for interest in 2016 were \$7,558 (2015 - \$8,763).

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

7. DEBT LIMITS

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

	<u>2016</u>	<u>2015</u>
Total debt limit	3,024,660	2,997,039
Total debt	170,045	200,568
Surplus debt limit	<u>2,854,615</u>	<u>2,796,471</u>
Debt servicing limit	504,110	499,507
Debt servicing	37,728	38,291
Surplus debt servicing	<u>466,382</u>	<u>461,216</u>

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

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets (Schedule 2)	11,854,354	11,710,204
Accumulated amortization (Schedule 2)	(4,111,695)	(3,902,624)
Long-term debt (Note 6)	<u>(170,045)</u>	<u>(200,568)</u>
	<u>7,572,614</u>	<u>7,607,012</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

9. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	<u>672,972</u>	<u>624,915</u>
Restricted surplus		
Fire department	31,234	19,436
Common equipment	28,631	24,561
Water system	263,858	197,880
Wastewater system	185,618	110,223
Cemetery	17,560	17,305
Public health	-	10,000
Development	22,026	9,047
Recreation	73,032	73,031
Culture	7,335	3,180
	<u>629,294</u>	<u>464,663</u>
Equity in tangible capital assets	<u>7,572,614</u>	<u>7,607,012</u>
	<u>8,874,880</u>	<u>8,696,590</u>

10. SEGMENTED DISCLOSURE

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

Refer to the Schedule of Segmented Disclosure (schedule 6)

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

11. SALARY AND BENEFITS DISCLOSURE

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

	2016			2015
	Salary	Benefits & Allowances	Total	Total
Beringer	6,805	52	6,857	6,418
Buelow	6,715	49	6,764	5,767
Wurz	7,705	61	7,766	4,261
Lane	6,985	58	7,043	6,418
Lefebvre	7,255	67	7,322	6,573
Lesmeister	3,559	13	3,572	5,767
Miller	8,277	101	8,378	8,970
CAO	80,000	17,992	97,992	98,434

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves 244,621 people and 426 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2016 were \$35,985. Total current service contributions by the employees of the town to the LAPP in 2016 were \$32,987.

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

13. FINANCIAL INSTRUMENTS

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

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

Unless otherwise noted, the fair value of these financial instruments approximates their fair value.

14. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The town has prepared its budget according to the former accounting standards that were in place prior to 2009 which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2016	2015
Excess of revenue over expenditures, per financial statements	468,103	178,290	338,442
Adjustments			
Amortization expense	-	274,355	265,951
Loss (gain) on disposal of tangible capital assets	-	12,691	(5,723)
Acquisition of tangible capital assets	(417,000)	(233,625)	(285,941)
Proceeds on disposition of tangible capital assets	-	11,500	178,223
Results of operations - previous methods	51,103	243,211	490,952
Net transfers (to) from reserves	4,300	(164,631)	(128,946)
Debenture repaid	(28,860)	(30,523)	(38,758)
Increase (decrease) in unrestricted surplus	26,543	48,057	323,248

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

15. CONTINGENCIES

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

The town is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

16. COMPARITIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.