

TOWN OF HARDISTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



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, 2017, 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, 2017, 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", written over a horizontal line.

Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash (Note 2)	1,182,198	1,226,385
Term deposits (Note 2)	376,126	343,716
Taxes and grants in place of taxes (Note 3)	161,732	165,182
Trade, government other receivables	66,931	68,019
Receivable from other governments	662,968	320,571
Inventory held for resale	81,027	80,121
Local improvement receivable	100,388	110,583
Other financial assets	11,100	11,100
	<u>2,642,470</u>	<u>2,325,677</u>
LIABILITIES		
Accounts payable and accrued liabilities	142,775	149,713
Deposits held in trust	157,217	156,717
Deferred revenue (Note 5)	578,684	716,981
Long term debt (Note 6)	94,712	170,045
	<u>973,388</u>	<u>1,193,456</u>
NET FINANCIAL ASSETS	<u>1,669,082</u>	<u>1,132,221</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>7,760,098</u>	<u>7,742,659</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>9,429,180</u>	<u>8,874,880</u>

Approved Feb. 27, 2018 via Council Motion # 42/18



MAYOR - DOUG IRVING



CAO - SANDY OTTO

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Net municipal property taxes (Schedule 3)	1,083,886	1,068,702	1,040,920
User fees and sales of goods	608,900	615,928	566,383
Penalties	15,000	44,785	41,005
Licenses and permits	9,900	20,746	51,192
Franchise and concession contracts	106,000	111,609	96,791
Investment income	1,500	11,294	13,966
Rentals	12,000	11,394	11,964
Government transfers for operating	31,500	41,009	67,294
Other	1,500	100,849	126,925
	<u>1,870,186</u>	<u>2,026,316</u>	<u>2,016,440</u>
EXPENSES			
Legislative	59,800	53,050	66,020
Administration	474,300	419,879	453,119
Protective services	63,250	49,731	50,965
Transportation	408,175	336,668	355,539
Water supply and distribution	194,558	173,914	198,236
Wastewater treatment and disposal	72,637	231,672	78,744
Waste management	105,659	102,532	103,529
Public health and welfare	71,000	67,097	163,422
Planning and development	73,000	40,490	36,323
Recreation	68,800	49,951	43,519
Culture	63,340	96,071	66,685
Amortization	-	276,426	274,355
Loss (gain) on disposal of assets	-	9,000	12,691
	<u>1,654,519</u>	<u>1,906,481</u>	<u>1,903,147</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	215,667	119,835	113,293
OTHER			
Government transfers for capital (Schedule 4)	297,264	434,465	64,997
EXCESS OF REVENUE OVER EXPENSES	512,931	554,300	178,290
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>8,874,880</u>	<u>8,874,880</u>	<u>8,696,590</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>9,387,811</u></u>	<u><u>9,429,180</u></u>	<u><u>8,874,880</u></u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
EXCESS OF REVENUE OVER EXPENSES	<u>512,931</u>	<u>554,300</u>	<u>178,290</u>
Acquisition of tangible capital assets	(552,000)	(320,865)	(233,625)
Proceeds on disposal of tangible capital assets	-	18,000	11,500
Amortization of tangible capital assets	-	276,426	274,355
Loss (gain) on sale of tangible capital assets	-	9,000	12,691
	<u>(552,000)</u>	<u>(17,439)</u>	<u>64,921</u>
INCREASE IN NET FINANCIAL ASSETS	(39,069)	536,861	243,211
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,132,221</u>	<u>1,132,221</u>	<u>889,010</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>1,093,152</u>	<u>1,669,082</u>	<u>1,132,221</u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	554,300	178,290
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	276,426	274,355
Loss (gain) on disposal of tangible capital assets	9,000	12,691
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	3,450	(40,498)
Decrease (increase) in trade and other receivables	1,088	11,826
Decrease (increase) in receivable from other governments	(342,397)	(304,417)
Decrease (increase) in inventory held for resale	(906)	1,222
Decrease (increase) in local improvement levy	10,195	9,747
Increase (decrease) in accounts payable and accrued liabilities	(6,938)	23,419
Increase (decrease) in deposits held in trust	500	(24,648)
Increase (decrease) in deferred revenue	(138,297)	252,646
	366,421	394,633
CAPITAL		
Acquisition of tangible capital assets	(320,865)	(233,625)
Sale of tangible capital assets	18,000	11,500
	(302,865)	(222,125)
INVESTING		
Decrease (increase) in term deposits	(32,410)	(157,505)
	(32,410)	(157,505)
FINANCING		
Long-term debt repaid	(75,333)	(30,523)
	(75,333)	(30,523)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(44,187)	(15,520)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,226,385	1,241,905
CASH AND CASH EQUIVALENTS, END OF YEAR	1,182,198	1,226,385
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	1,181,998	1,226,185
	1,182,198	1,226,385

TOWN OF HARDISTY

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	672,972	629,294	7,572,614	8,874,880	8,696,590
Excess (deficiency) of revenues over expenses	554,300	-	-	554,300	178,290
Unrestricted funds designated for future use	(186,852)	186,852	-	-	-
Restricted funds used for tangible capital assets	-	(4,571)	4,571	-	-
Current year funds used for tangible capital assets	(316,294)	-	316,294	-	-
Disposal of tangible capital assets	27,000	-	(27,000)	-	-
Annual amortization expense	276,426	-	(276,426)	-	-
Net long term debt repaid or issued	-	(75,333)	75,333	-	-
Change in accumulated surplus	354,580	106,948	92,772	554,300	178,290
BALANCE, END OF YEAR	1,027,552	736,242	7,665,386	9,429,180	8,874,880

TOWN OF HARDISTY

**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Schedule 2)**

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2017	2016
COST:								
Balance - beginning of year	96,270	555,963	1,309,943	9,063,608	290,700	537,870	11,854,354	11,710,204
Acquisition of tangible capital assets	-	-	28,124	240,324	52,417	-	320,865	233,625
Disposal of tangible capital assets	-	-	-	-	30,000	-	30,000	89,475
Balance - end of year	96,270	555,963	1,338,067	9,303,932	313,117	537,870	12,145,219	11,854,354
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	132,504	469,569	3,137,455	131,232	240,935	4,111,695	3,902,624
Annual amortization	-	18,532	26,761	181,740	23,470	25,923	276,426	274,355
Accumulated amortization on disposals	-	-	-	-	3,000	-	3,000	65,284
Balance - end of year	-	151,036	496,330	3,319,195	151,702	266,858	4,385,121	4,111,695
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	404,927	841,737	5,984,737	161,415	271,012	7,760,098	7,742,659
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	96,270	423,459	840,374	5,926,153	159,468	296,935	7,742,659	

TOWN OF HARDISTY

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 3)

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	1,318,183	1,317,999	1,273,729
Linear property taxes	28,917	28,917	29,706
Local improvement taxes	15,000	-	-
	<u>1,362,100</u>	<u>1,346,916</u>	<u>1,303,435</u>
REQUISITIONS			
Alberta School Foundation	263,887	263,887	242,295
Flagstaff Regional Housing Group	14,327	14,327	20,220
	<u>278,214</u>	<u>278,214</u>	<u>262,515</u>
NET MUNICIPAL TAXES	<u>1,083,886</u>	<u>1,068,702</u>	<u>1,040,920</u>

TOWN OF HARDISTY

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 4)

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Provincial Government	21,500	19,048	19,015
Local Governments	10,000	21,961	48,279
	<u>31,500</u>	<u>41,009</u>	<u>67,294</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	12,066	7,510
Provincial Government	297,264	422,399	57,487
	<u>297,264</u>	<u>434,465</u>	<u>64,997</u>
TOTAL GOVERNMENT TRANSFERS	<u>328,764</u>	<u>475,474</u>	<u>132,291</u>

TOWN OF HARDISTY

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 5)

	Budget (Unaudited)	2017	2016
Expenditures			
Salaries, wages and benefits	609,350	562,335	650,130
Contracted and general services	717,234	762,112	651,413
Purchases from other governments	5,000	4,722	4,828
Materials, goods and utilities	254,800	235,971	235,287
Provision for allowances	1,500	2,732	76
Transfers to local boards and agencies	22,240	17,945	18,666
Transfers to individuals and agencies	-	-	20,965
Bank charges and short term interest	19,000	25,325	22,413
Interest on capital long term debt	19,395	6,215	7,407
Other expenditures	6,000	3,698	4,916
Amortization of tangible capital assets	-	276,426	274,355
Loss on disposal of tangible capital assets	-	9,000	12,691
	<u>1,654,519</u>	<u>1,906,481</u>	<u>1,903,147</u>

TOWN OF HARDISTY

**SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2017
(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)	1,068,702	-	-	-	-	-	-	1,068,702
User fees and sales of goods	16,269	24,328	-	486,645	40,966	2,632	45,088	615,928
Penalties and costs on taxes	44,785	-	-	-	-	-	-	44,785
Licenses and permits	3,185	164	-	-	-	17,397	-	20,746
Franchise and concession contracts	111,609	-	-	-	-	-	-	111,609
Investment income	11,294	-	-	-	-	-	-	11,294
Rentals	-	-	-	-	-	11,394	-	11,394
Government transfers	19,048	21,961	-	-	-	-	-	41,009
Other	-	27,981	-	-	6,218	-	66,650	100,849
	<u>1,274,892</u>	<u>74,434</u>	<u>-</u>	<u>486,645</u>	<u>47,184</u>	<u>31,423</u>	<u>111,738</u>	<u>2,026,316</u>
EXPENSES								
Salaries, wages and benefits	263,447	19,318	131,104	106,960	40,694	-	812	562,335
Contracted and general services	147,817	19,473	112,363	339,420	10,623	40,490	91,926	762,112
Purchases from other governments	-	4,722	-	-	-	-	-	4,722
Materials, goods and utilities	29,910	6,218	93,201	55,523	10,221	-	40,898	235,971
Provision for allowances	2,732	-	-	-	-	-	-	2,732
Transfers to local boards and agencies	-	-	-	-	5,559	-	12,386	17,945
Bank charges and short term interest	25,325	-	-	-	-	-	-	25,325
Interest on capital long term debt	-	-	-	6,215	-	-	-	6,215
Other expenditures	3,698	-	-	-	-	-	-	3,698
	<u>472,929</u>	<u>49,731</u>	<u>336,668</u>	<u>508,118</u>	<u>67,097</u>	<u>40,490</u>	<u>146,022</u>	<u>1,621,055</u>
NET REVENUE, BEFORE AMORTIZATION	<u>801,963</u>	<u>24,703</u>	<u>(336,668)</u>	<u>(21,473)</u>	<u>(19,913)</u>	<u>(9,067)</u>	<u>(34,284)</u>	<u>405,261</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	13,565	28,799	108,745	114,440	-	-	10,877	276,426
Loss on disposal of tangible capital assets	-	-	-	-	9,000	-	-	9,000
	<u>13,565</u>	<u>28,799</u>	<u>108,745</u>	<u>114,440</u>	<u>9,000</u>	<u>-</u>	<u>10,877</u>	<u>285,426</u>
NET REVENUE	<u>788,398</u>	<u>(4,096)</u>	<u>(445,413)</u>	<u>(135,913)</u>	<u>(28,913)</u>	<u>(9,067)</u>	<u>(45,161)</u>	<u>119,835</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017

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, 2017

2. CASH AND TERM DEPOSITS

	<u>2017</u>	<u>2016</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)	63,443	320,587
Included in cash and term deposits are amounts held for deposits in trust	157,217	156,717
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	<u>736,242</u>	<u>629,294</u>
Total restricted cash and term deposits	<u>956,902</u>	<u>1,106,598</u>
Total unrestricted cash and term deposits	<u>601,422</u>	<u>463,503</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2017</u>	<u>2016</u>
Current taxes and grants in place of taxes	46,556	80,510
Arrears taxes	38,409	85,002
Property held by the village as a result of tax forfeiture	<u>101,363</u>	<u>22,299</u>
	186,328	187,811
Less: allowance for doubtful accounts	<u>24,596</u>	<u>22,629</u>
	<u>161,732</u>	<u>165,182</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>2017</u>	<u>2016</u>
Municipal Sustainability Initiative - capital	317,700	492,835
Federal Gas Tax	163,443	125,509
Property tax prepayments	97,541	83,637
Other	-	15,000
	<u>578,684</u>	<u>716,981</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

6. LONG TERM DEBT

	2017	2016
Canadian Imperial Bank of Commerce	-	63,181
Alberta Capital Finance Authority	94,712	106,864
	94,712	170,045
	94,712	170,045

Principal and interest payments are as follows:

	Principal	Interest	Total
2018	12,742	4,391	17,133
2019	13,360	3,772	17,132
2020	14,008	3,124	17,132
2021	14,688	2,444	17,132
2022	15,401	1,731	17,132
Thereafter	24,513	1,185	25,698
	94,712	16,647	111,359

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 2017 were \$6,373 (2016 - \$7,558).

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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>2017</u>	<u>2016</u>
Total debt limit	3,039,474	3,024,660
Total debt	94,712	170,045
Surplus debt limit	<u>2,944,762</u>	<u>2,854,615</u>
Debt servicing limit	506,579	504,110
Debt servicing	17,133	37,728
Surplus debt servicing	<u>489,446</u>	<u>466,382</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>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 2)	12,145,219	11,854,354
Accumulated amortization (Schedule 2)	(4,385,121)	(4,111,695)
Long-term debt (Note 6)	(94,712)	(170,045)
	<u>7,665,386</u>	<u>7,572,614</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

9. ACCUMULATED SURPLUS

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

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	<u>1,027,552</u>	<u>672,972</u>
Restricted surplus		
Fire department	34,649	31,234
Common equipment	29,159	28,631
Water system	318,343	263,858
Wastewater system	233,574	185,618
Cemetery	17,816	17,560
Development	22,258	22,026
Recreation	74,499	73,032
Culture	5,944	7,335
	<u>736,242</u>	<u>629,294</u>
Equity in tangible capital assets	<u>7,665,386</u>	<u>7,572,614</u>
	<u>9,429,180</u>	<u>8,874,880</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, 2017

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:

	2017			2016
	Salary	Benefits & Allowances	Total	Total
Beringer	7,285	67	7,352	6,857
Buelow	788	4	792	6,764
Gaetzman	2,994	63	3,057	3,572
Irving	2,724	54	2,778	-
Lane	6,475	40	6,515	7,043
Lefebvre	5,100	45	5,145	7,322
Miller	7,251	117	7,368	8,378
Wurz	7,285	67	7,352	7,766
CAO	80,000	17,701	97,701	97,992

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 253,862 people and 417 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 2017 were \$27,76. Total current service contributions by the employees of the town to the LAPP in 2017 were \$25,709.

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 Million.

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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)	2017	2016
Excess of revenue over expenditures, per financial statements	512,931	554,300	178,290
Adjustments			
Amortization expense	-	276,426	274,355
Loss (gain) on disposal of tangible capital assets	-	9,000	12,691
Acquisition of tangible capital assets	(552,000)	(320,865)	(233,625)
Proceeds on disposition of tangible capital assets	(18,000)	18,000	11,500
Results of operations - previous methods	(57,069)	536,861	243,211
Net transfers (to) from reserves	382,000	(106,948)	(164,631)
Debenture repaid	(133,585)	(75,333)	(30,523)
Increase (decrease) in unrestricted surplus	191,346	354,580	48,057

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.