

TOWN OF HARDISTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010



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, 2010, 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, 2010, 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

April 14, 2011

Brian King

Certified General Accountant

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2010

	<u>2010</u>	<u>2009</u>
FINANCIAL ASSETS		
Cash (Note 2)	1,029	2,016
Term deposits (Note 2)	342,906	468,856
Taxes and grants in place of taxes (Note 3)	50,706	38,305
Trade, government transfers and other receivables	392,154	158,526
Inventory held for resale	186,843	235,054
Other financial assets	32,970	57,269
	<u>1,006,608</u>	<u>960,026</u>
LIABILITIES		
Bank indebtedness (Note 4)	396,048	79,602
Accounts payable and accrued liabilities	230,597	181,809
Deposits held in trust	18,864	6,978
Deferred revenue (Note 5)	211,536	368,368
Long term debt (Note 6)	663,205	771,277
	<u>1,520,250</u>	<u>1,408,034</u>
NET FINANCIAL ASSETS (DEBT)	<u>(513,642)</u>	<u>(448,008)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>7,093,636</u>	<u>5,559,032</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>6,579,994</u>	<u>5,111,024</u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (unaudited)	2010	2009
REVENUE			
Net municipal property taxes (Schedule 3)	786,056	799,287	795,594
User fees and sales of goods	359,070	411,420	350,360
Penalties	15,000	17,032	13,857
Licenses and permits	15,400	38,099	14,588
Fines	1,100	450	552
Franchise and concession contracts	60,689	65,102	59,739
Investment income	2,000	4,712	10,323
Rentals	7,200	7,800	14,400
Government transfers for operating	147,667	240,549	174,081
Other	222,857	251,154	451,233
	<u>1,617,039</u>	<u>1,835,605</u>	<u>1,884,727</u>
EXPENSES			
Legislative	65,100	53,099	70,853
Administration	296,380	282,794	322,970
Protective services	61,168	58,622	82,925
Transportation	367,996	314,606	334,371
Water supply and distribution	163,096	177,668	195,487
Wastewater treatment and disposal	56,996	55,365	50,669
Waste management	75,688	70,102	65,852
Public health and welfare	41,357	36,392	38,429
Planning and development	157,849	190,314	82,120
Recreation	103,538	135,475	935,296
Culture	62,669	106,908	75,520
Amortization	-	229,053	208,587
Loss (gain) on disposal of assets	-	(982)	-
	<u>1,451,837</u>	<u>1,709,416</u>	<u>2,463,079</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	165,202	126,189	(578,352)
OTHER			
Government transfers for capital (Schedule 4)	1,769,228	1,342,781	635,715
EXCESS OF REVENUE OVER EXPENSES	1,934,430	1,468,970	57,363
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>5,111,024</u>	<u>5,111,024</u>	<u>5,053,661</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>7,045,454</u></u>	<u><u>6,579,994</u></u>	<u><u>5,111,024</u></u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget (unaudited)	2010	2009
EXCESS OF REVENUE OVER EXPENSES	<u>1,934,430</u>	<u>1,468,970</u>	<u>57,363</u>
Acquisition of tangible capital assets	(2,266,804)	(1,767,365)	(125,833)
Proceeds on disposal of tangible capital assets	-	4,690	-
Amortization of tangible capital assets	-	229,053	208,587
Loss on sale of tangible capital assets	-	(982)	-
	<u>(2,266,804)</u>	<u>(1,534,604)</u>	<u>82,754</u>
INCREASE IN NET FINANCIAL ASSETS	(332,374)	(65,634)	140,117
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>(448,008)</u>	<u>(448,008)</u>	<u>(588,125)</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>(780,382)</u>	<u>(513,642)</u>	<u>(448,008)</u>

TOWN OF HARDISTY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

	2010	2009
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	1,468,970	57,363
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	229,053	208,587
Loss on disposal of tangible capital assets	(982)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(12,401)	(21,393)
Decrease (increase) in trade and other receivables	(233,628)	89,750
Decrease (increase) in inventory held for resale	48,211	(9,308)
Decrease (increase) in other financial assets	24,299	(5,399)
Increase (decrease) in accounts payable and accrued liabilities	48,788	22,452
Increase (decrease) in deposits held in trust	11,886	(4,105)
Increase (decrease) in deferred revenue	(156,832)	(469,674)
	1,427,364	(131,727)
CAPITAL		
Acquisition of tangible capital assets	(1,767,365)	(125,833)
Sale of tangible capital assets	4,690	-
	(1,762,675)	(125,833)
INVESTING		
Decrease (increase) in term deposits	125,950	211,562
	125,950	211,562
FINANCING		
Long-term debt issued	100,000	-
Long-term debt repaid	(208,072)	(171,439)
	(108,072)	(171,439)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(317,433)	(217,437)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(77,586)	139,851
CASH AND CASH EQUIVALENTS, END OF YEAR	(395,019)	(77,586)
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	829	1,816
Bank indebtedness	(396,048)	(79,602)
	(395,019)	(77,586)

TOWN OF HARDISTY

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2010	2009
BALANCE, BEGINNING OF YEAR	48,958	207,370	4,854,696	5,111,024	5,053,661
Excess (deficiency) of revenues over expenses	1,468,970	-	-	1,468,970	57,363
Unrestricted funds designated for future use	(70,360)	70,360	-	-	-
Restricted funds used for operations	20,276	(20,276)	-	-	-
Restricted funds used for tangible capital assets	-	(114,459)	114,459	-	-
Current year funds used for tangible capital assets	(1,652,906)	-	1,652,906	-	-
Disposal of tangible capital assets	3,708	-	(3,708)	-	-
Annual amortization expense	229,053	-	(229,053)	-	-
Net long term debt repaid or issued	(84,643)	-	84,643	-	-
Change in accumulated surplus	(85,902)	(64,375)	1,619,247	1,468,970	57,363
BALANCE, END OF YEAR	<u>(36,944)</u>	<u>142,995</u>	<u>6,473,943</u>	<u>6,579,994</u>	<u>5,111,024</u>

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2010	2009
COST:								
Balance - beginning of year	66,270	447,296	1,041,038	6,082,228	192,051	215,589	8,044,472	7,918,639
Acquisition of tangible capital assets	-	-	-	1,403,684	45,261	318,420	1,767,365	125,833
Disposal of tangible capital assets	-	-	-	-	-	18,540	18,540	-
Balance - end of year	66,270	447,296	1,041,038	7,485,912	237,312	515,469	9,793,297	8,044,472
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	26,324	311,294	1,969,979	89,716	88,127	2,485,440	2,276,853
Annual amortization	-	14,910	20,821	150,803	21,602	20,917	229,053	208,587
Accumulated amortization on disposals	-	-	-	-	-	14,832	14,832	-
Balance - end of year	-	41,234	332,115	2,120,782	111,318	94,212	2,699,661	2,485,440
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	66,270	406,062	708,923	5,365,130	125,994	421,257	7,093,636	5,559,032
2009 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	66,270	420,972	729,744	4,112,249	102,335	127,462	5,559,032	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 3)

	Budget (Unaudited)	2010	2009
TAXATION			
Real property taxes	905,867	919,098	902,406
Linear property taxes	27,147	27,147	29,388
Government grants in place of property taxes	16,351	16,351	17,328
Local improvement taxes	3,954	3,954	3,954
	<u>953,319</u>	<u>966,550</u>	<u>953,076</u>
REQUISITIONS			
Alberta School Foundation	154,632	154,632	148,128
Flagstaff Regional Housing Group	12,631	12,631	9,354
	<u>167,263</u>	<u>167,263</u>	<u>157,482</u>
NET MUNICIPAL TAXES	<u>786,056</u>	<u>799,287</u>	<u>795,594</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 4)

	Budget (Unaudited)	2010	2009
TRANSFERS FOR OPERATING			
Federal Government	-	400	-
Provincial Government	73,165	170,599	115,474
Local Governments	74,502	69,550	58,607
	<u>147,667</u>	<u>240,549</u>	<u>174,081</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	442,457	58,957
Provincial Government	1,549,228	900,324	576,758
Local Governments	220,000	-	-
	<u>1,769,228</u>	<u>1,342,781</u>	<u>635,715</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,916,895</u>	<u>1,583,330</u>	<u>809,796</u>

TOWN OF HARDISTY

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2010 (Schedule 5)

	Budget (Unaudited)	2010	2009
Expenditures			
Salaries, wages and benefits	508,250	468,757	505,958
Contracted and general services	584,469	616,701	1,406,806
Purchases from other governments	-	(586)	13,624
Materials, goods and utilities	224,000	252,854	226,828
Provision for allowances	1,000	10,240	1,449
Transfers to local boards and agencies	64,121	73,087	34,252
Transfers to individuals and agencies	2,200	2,058	2,723
Bank charges and short term interest	10,000	15,271	9,465
Interest on capital long term debt	52,797	40,765	49,018
Other expenditures	5,000	2,198	4,369
Amortization of tangible capital assets	-	229,053	208,587
Loss on disposal of tangible capital assets	-	(982)	-
	<u>1,451,837</u>	<u>1,709,416</u>	<u>2,463,079</u>

TOWN OF HARDISTY

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2010 (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)	799,287	-	-	-	-	-	-	799,287
User fees and sales of goods	2,518	4,355	967	271,561	1,195	69,000	61,824	411,420
Penalties and costs on taxes	17,032	-	-	-	-	-	-	17,032
Licenses and permits	7,990	357	-	-	-	29,752	-	38,099
Fines	100	350	-	-	-	-	-	450
Franchise and concession contracts	65,102	-	-	-	-	-	-	65,102
Investment income	4,712	-	-	-	-	-	-	4,712
Rentals	7,800	-	-	-	-	-	-	7,800
Government transfers	400	18,325	8,394	31,000	-	97,232	85,198	240,549
Other	4,325	155,661	-	-	12,040	3,547	75,581	251,154
	<u>909,266</u>	<u>179,048</u>	<u>9,361</u>	<u>302,561</u>	<u>13,235</u>	<u>199,531</u>	<u>222,603</u>	<u>1,835,605</u>
EXPENSES								
Salaries, wages and benefits	164,417	12,443	168,738	93,350	10,845	10,536	8,428	468,757
Contracted and general services	105,829	25,176	70,912	140,103	15,521	129,173	129,987	616,701
Purchases from other governments	-	(586)	-	-	-	-	-	(586)
Materials, goods and utilities	33,963	19,639	72,438	35,755	57	48,547	42,455	252,854
Provision for allowances	10,240	-	-	-	-	-	-	10,240
Transfers to local boards and agencies	2,770	-	-	-	9,969	-	60,348	73,087
Transfers to individuals and agencies	-	-	-	-	-	2,058	-	2,058
Bank charges and short term interest	15,271	-	-	-	-	-	-	15,271
Interest on capital long term debt	1,205	1,950	2,518	33,927	-	-	1,165	40,765
Other expenditures	2,198	-	-	-	-	-	-	2,198
	<u>335,893</u>	<u>58,622</u>	<u>314,606</u>	<u>303,135</u>	<u>36,392</u>	<u>190,314</u>	<u>242,383</u>	<u>1,481,345</u>
NET REVENUE, BEFORE AMORTIZATION	<u>573,373</u>	<u>120,426</u>	<u>(305,245)</u>	<u>(574)</u>	<u>(23,157)</u>	<u>9,217</u>	<u>(19,780)</u>	<u>354,260</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	9,740	19,472	105,845	85,386	-	-	8,610	229,053
Loss on disposal of tangible capital assets	-	(982)	-	-	-	-	-	(982)
	<u>9,740</u>	<u>18,490</u>	<u>105,845</u>	<u>85,386</u>	<u>-</u>	<u>-</u>	<u>8,610</u>	<u>228,071</u>
NET REVENUE	<u>563,633</u>	<u>101,936</u>	<u>(411,090)</u>	<u>(85,960)</u>	<u>(23,157)</u>	<u>9,217</u>	<u>(28,390)</u>	<u>126,189</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010

2. CASH AND TERM DEPOSITS

	<u>2010</u>	<u>2009</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)	177,938	356,512
Included in cash and term deposits are amounts held for deposits in trust	18,864	6,978
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	<u>142,996</u>	<u>107,382</u>
Total restricted cash and term deposits	<u><u>339,798</u></u>	<u><u>470,872</u></u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2010</u>	<u>2009</u>
Current taxes and grants in place of taxes	32,934	27,412
Arrears taxes	<u>17,772</u>	<u>10,893</u>
	<u><u>50,706</u></u>	<u><u>38,305</u></u>

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$975,000 bearing interest at prime, secured by a borrowing resolution authorizing the overdraft.

5. DEFERRED INCOME

Deferred income consists of the following:	<u>2010</u>	<u>2009</u>
Arena renovation grant, donations and interest	52,085	30,064
Donations for new fire/rescue truck	-	34,299
Municipal Sustainability Initiative - operating	9,801	-
Municipal Sustainability Initiative - capital	-	169,795
Federal Gas Tax	49,470	-
Property tax over levy	-	14,729
Property tax prepayments	33,598	11,856
Rural adaptations	-	61,965
Street Improvement Program	66,582	45,660
	<u><u>211,536</u></u>	<u><u>368,368</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

6. LONG TERM DEBT

	2010	2009
Operating		
Greg`s Contracting Service Ltd.	43,512	66,941
Capital		
Canadian Imperial Bank of Commerce	306,535	384,005
Alberta Capital Finance Authority	313,158	320,331
	619,693	704,336
	663,205	771,277

Principal and interest payments are as follows:

	Principal	Interest	Total
2011	203,523	30,725	234,248
2012	204,377	20,012	224,389
2013	57,069	13,340	70,409
2014	59,958	9,819	69,777
2015	19,825	6,145	25,970
Thereafter	118,453	27,170	145,623
	663,205	107,211	770,416

Debenture debt repayable to the Alberta Capital Finance Authority bears interest at 4.795% to 10.625% and matures in 2011 through 2024 and is secured by the credit and security of the town at large.

Canadian Imperial Bank of Commerce debt bears interest at 4.94% and floating at prime and matures in 2012 through 2015 and is secured by the credit and security of the town at large.

Greg`s Contracting service Ltd. debt bears no interest and matures in 2012 and is secured by the credit and security of the town at large.

The town`s total cash payments for interest in 2010 were \$43,598 (2009 - \$51,805).

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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>2010</u>	<u>2009</u>
Total debt limit	<u>2,753,408</u>	2,355,909
Total debt	<u>1,059,253</u>	850,879
Surplus debt limit	<u>1,694,155</u>	<u>1,505,030</u>
Debt servicing limit	<u>458,901</u>	471,182
Debt servicing	<u>642,177</u>	299,518
Surplus debt servicing	<u>(183,276)</u>	<u>171,664</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>2010</u>	<u>2009</u>
Tangible capital assets (Schedule 2)	<u>9,793,297</u>	8,044,472
Accumulated amortization (Schedule 2)	<u>(2,699,661)</u>	(2,485,440)
Long-term debt (Note 6)	<u>(619,693)</u>	(704,336)
	<u>6,473,943</u>	<u>4,854,696</u>

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

9. ACCUMULATED SURPLUS

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

	<u>2010</u>	<u>2009</u>
Unrestricted surplus (deficit)	<u>(36,945)</u>	<u>48,958</u>
Restricted surplus		
Operating		
Water resource development	6,394	14,669
Cemetery	32,500	37,500
Golf course	-	14,000
Park's and recreation	<u>26,946</u>	<u>26,946</u>
	<u>65,840</u>	<u>93,115</u>
Capital reserves		
Fire department	-	85,660
Public works	13,796	28,595
Water	35,675	-
Sewer	<u>27,685</u>	<u>-</u>
	<u>77,156</u>	<u>114,255</u>
	<u>142,996</u>	<u>207,370</u>
Equity in tangible capital assets	<u>6,473,943</u>	<u>4,854,696</u>
	<u>6,579,994</u>	<u>5,111,024</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, 2010

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:

	2010			2009
	Salary	Benefits & Allowances	Total	Total
Betts	3,800	-	3,800	6,935
Buelow	1,630	11	1,641	-
Drozdowski	1,490	6	1,496	-
Fossum	3,800	-	3,800	4,850
Lefebvre	4,920	19	4,939	8,092
Lesmeister	4,990	21	5,011	6,573
Miller A	5,805	48	5,853	7,676
Miller G	1,490	6	1,496	-
O'Grady	2,315	33	2,348	-
Ottenbreit	1,000	-	1,000	-
Piller	5,360	5	5,365	7,152
Pioker	4,920	-	4,920	7,619
Welder	1,000	-	1,000	-
CAO(s)	84,000	15,363	99,363	91,237

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 199,849 people and 418 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 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2010 were \$31,391. Total current service contributions by the employees of the town to the LAPP in 2010 were \$28,220.

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$4.0 billion.

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

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)	2010	2009
Excess of revenue over expenditures, per financial statements	1,934,430	1,468,970	57,363
Adjustments			
Amortization expense	-	229,053	208,587
Loss (gain) on disposal of tangible capital assets	-	(982)	-
Acquisition of tangible capital assets	(2,266,804)	(1,767,365)	(125,833)
Proceeds on disposition of tangible capital assets	-	4,690	-
Results of operations - previous methods	<u>(332,374)</u>	<u>(65,634)</u>	<u>140,117</u>
Net transfers (to) from reserves	(48,000)	64,374	19,678
Debenture issued	586,384	100,000	-
Debenture repaid	<u>(186,974)</u>	<u>(184,643)</u>	<u>(171,439)</u>
Increase (decrease) in unrestricted surplus	<u>19,036</u>	<u>(85,903)</u>	<u>(11,644)</u>

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.

16. COMPARITIVE FIGURES

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

TOWN OF HARDISTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.