

TOWN OF HINTON
Consolidated Financial Statements
For the Year Ended December 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Council of Town of Hinton

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of consolidated financial statements.

JDP Wasserman & Associates have been appointed by the Members of Council of Town of Hinton to express an opinion on the consolidated financial statements.



Paul Hanlan
Interim Chief Administrative Officer

Hinton, AB
July 12, 2022



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Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Hinton

Opinion

We have audited the consolidated financial statements of Town of Hinton (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with ethical requirements that are relevant to our audit of financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Town for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on August 24, 2021.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Members of Council) are responsible for overseeing the Town's financial reporting process.

(continues)

* Israel Wasserman Professional Corporation
o/a JDP Wasserman & Associates tm JDP Wasserman

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



Edmonton, Alberta
July 12, 2022

ISRAEL WASSERMAN PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT



TOWN OF HINTON
Consolidated Statement of Financial Position
As at December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 3,328,237	\$ 2,226,016
Accounts receivable (Note 2)	2,438,654	2,954,790
Loan receivable (Note 3)	151,892	201,892
Investments (Note 4)	16,983,828	13,361,765
Land held for resale	2,960	2,960
	<u>22,905,571</u>	<u>18,747,423</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	3,136,372	2,155,917
Deposit liabilities	434,916	422,752
Deferred revenue (Note 6)	3,058,843	2,410,713
Long-term debt (Note 7)	4,716,771	4,494,227
Landfill closure and post-closure liability (Note 18)	146,095	138,240
	<u>11,492,997</u>	<u>9,621,849</u>
NET FINANCIAL ASSETS	<u>11,412,574</u>	<u>9,125,574</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	124,940	66,908
Inventory for consumption	300,249	310,536
Tangible capital assets (Schedule 1)	<u>152,978,171</u>	152,711,862
	<u>153,403,360</u>	<u>153,089,306</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$164,815,934</u>	<u>\$162,214,880</u>

CONTINGENCIES AND GUARANTEES (Note 16)

ON BEHALF OF COUNCIL:


 _____ *Mayor*

 _____ *Councillor*

The accompanying notes form an integral part of these consolidated financial statements.
 JDP Wasserman & Associates /// Chartered Professional Accountants

TOWN OF HINTON
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2021

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
REVENUES			
Net municipal property taxes (<i>Schedule 3</i>)	\$ 12,918,524	\$ 12,843,519	\$ 13,055,580
User fees and sales of goods	6,841,661	6,793,879	6,668,622
Government transfers for operating (<i>Schedule 4</i>)	4,075,870	4,113,720	5,038,405
Franchise and concession contracts (<i>Note 11</i>)	1,732,520	1,735,933	1,681,427
Rentals	597,283	593,436	526,771
Fines	440,000	254,224	269,037
Penalties and costs on taxes	195,361	229,975	166,012
Licenses and permits	234,600	171,391	153,008
Investment income	235,230	169,416	148,243
Other revenues	138,141	150,649	36,657
	27,409,190	27,056,142	27,743,762
EXPENSES			
Infrastructure services	9,437,802	8,896,904	8,521,188
Protective services	4,108,399	4,590,580	4,704,024
Environmental services	4,431,716	4,443,591	3,834,758
General government	4,161,179	3,766,993	3,574,550
Parks, recreation and culture	3,135,491	2,779,584	2,600,757
Public health and welfare	1,478,691	1,397,847	1,431,507
Planning and development	1,424,574	1,155,696	1,684,782
Library	662,301	538,349	504,186
	28,840,153	27,569,544	26,855,752
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	(1,430,963)	(513,402)	888,010
OTHER REVENUES (EXPENSES)			
Government transfers for capital (<i>Schedule 4</i>)	-	3,089,286	345,968
Gain (loss) on disposal of tangible capital assets	-	18,123	(802)
Developer offsite levies	10,000	7,047	-
	10,000	3,114,456	345,166
ANNUAL SURPLUS (DEFICIT)	(1,420,963)	2,601,054	1,233,176
ACCUMULATED SURPLUS - TO BEGIN YEAR	162,214,880	162,214,880	160,981,704
ACCUMULATED SURPLUS - END OF YEAR	\$160,793,917	\$164,815,934	\$162,214,880

TOWN OF HINTON
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2021

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ (1,420,963)	\$ 2,601,054	\$ 1,233,176
Amortization of tangible capital assets	4,701,504	4,915,698	4,797,412
Purchase of tangible capital assets	-	(5,199,614)	(4,229,884)
Proceeds on disposal of tangible capital assets	-	35,730	4,802
(Gain) loss on disposal of tangible capital assets	-	(18,123)	802
Use (acquisition) of prepaid expenses	-	(58,032)	(14,522)
Use (acquisition) of inventory for consumption	-	10,287	(26,252)
	4,701,504	(314,054)	532,358
INCREASE IN NET FINANCIAL ASSETS	3,280,541	2,287,000	1,765,534
NET FINANCIAL ASSETS - BEGINNING OF YEAR	9,125,574	9,125,574	7,360,040
NET FINANCIAL ASSETS - END OF YEAR	\$ 12,406,115	\$ 11,412,574	\$ 9,125,574

TOWN OF HINTON
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual surplus	\$ 2,601,054	\$ 1,233,176
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	4,915,698	4,797,412
(Gain) loss on disposal of tangible capital assets	(18,123)	802
Contributed tangible capital assets	-	1,350,000
	<u>7,498,629</u>	<u>7,381,390</u>
Changes in non-cash working capital:		
Accounts receivable	516,136	1,020,415
Loan receivable	50,000	(30,391)
Accounts payable and accrued liabilities	980,455	(1,102,646)
Deposit liabilities	12,164	137,411
Deferred revenue	648,130	1,525,457
Landfill closure and post-closure liability	7,855	49,697
Prepaid expenses	(58,032)	(14,522)
Inventory for consumption	10,287	(26,252)
	<u>2,166,995</u>	<u>1,559,169</u>
Cash flow from operating activities	<u>9,665,624</u>	<u>8,940,559</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(5,199,614)	(4,229,884)
Proceeds on disposal of tangible capital assets	35,730	4,802
Net change in investments	<u>(3,622,063)</u>	<u>(4,320,825)</u>
Cash flow used by investing activities	<u>(8,785,947)</u>	<u>(8,545,907)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(1,077,456)	(1,116,873)
Proceeds on issuance of long-term debt	1,300,000	-
Cash flow from (used by) financing activities	<u>222,544</u>	<u>(1,116,873)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>1,102,221</u>	<u>(722,221)</u>
Cash and cash equivalents - beginning of year	<u>2,226,016</u>	<u>2,948,237</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,328,237</u>	<u>\$ 2,226,016</u>

TOWN OF HINTON
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2021

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST								
BALANCE, BEGINNING OF YEAR	\$ 19,530,890	\$ 16,236,415	\$ 46,567,813	\$ 153,962,615	\$ 9,828,736	\$ 5,308,745	\$ 251,435,214	\$ 247,324,456
Purchase of tangible capital assets	-	423,747	211,895	2,530,261	1,439,352	594,359	5,199,614	4,230,175
Disposal of tangible capital assets	-	(10,000)	-	(17,607)	(356,676)	(75,937)	(460,220)	(119,417)
BALANCE, END OF YEAR	19,530,890	16,650,162	46,779,708	156,475,269	10,911,412	5,827,167	256,174,608	251,435,214
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	10,057,847	19,163,844	61,170,262	6,163,439	2,167,960	98,723,352	94,039,462
Amortization of tangible capital assets	-	563,902	1,208,134	2,431,096	418,933	293,633	4,915,698	4,797,704
Disposal of tangible capital assets	-	(10,000)	-	-	(356,676)	(75,937)	(442,613)	(113,814)
BALANCE, END OF YEAR	-	10,611,749	20,371,978	63,601,358	6,225,696	2,385,656	103,196,437	98,723,352
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS								
	\$ 19,530,890	\$ 6,038,413	\$ 26,407,730	\$ 92,873,911	\$ 4,685,716	\$ 3,441,511	\$ 152,978,171	\$ 152,711,862
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2020	\$ 19,530,890	\$ 6,178,568	\$ 27,403,969	\$ 92,792,353	\$ 3,665,297	\$ 3,140,785		\$ 152,711,862

Included in the net book value of tangible capital assets is work-in-progress of \$1,675,701 (2020 - \$1,430,958).

TOWN OF HINTON
Schedule of Equity in Tangible Capital Assets **(Schedule 2)**
For the Year Ended December 31, 2021

	2021	2020
BALANCE, BEGINNING OF YEAR	\$149,486,250	\$149,024,091
Purchase of tangible capital assets	5,199,614	4,229,884
Amortization of tangible capital assets	(4,915,698)	(4,797,412)
Repayment of long-term debt	1,077,456	1,116,873
Proceeds on issuance of long-term debt	(1,300,000)	-
Cost of tangible capital assets disposed of	(460,220)	(119,417)
Accumulated amortization of tangible capital assets disposed	442,613	113,814
Repayment of non-capital long-term debt	(108,970)	(81,583)
BALANCE, END OF YEAR	\$149,421,045	\$149,486,250
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets (<i>Schedule 1</i>)	\$152,978,171	\$152,711,862
Long-term debt (<i>Note 7</i>)	(4,716,771)	(4,494,227)
Non-capital long-term debt (<i>Note 7</i>)	1,159,645	1,268,615
	\$149,421,045	\$149,486,250

TOWN OF HINTON
Schedule of Property Taxes
For the Year Ended December 31, 2021

(Schedule 3)

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
TAXATION			
Real property taxes	\$ 17,669,433	\$ 17,998,926	\$ 18,007,715
Designated industrial property taxes	399,155	420,019	383,802
Government grants in lieu of property taxes	45,500	55,898	71,667
	18,114,088	18,474,843	18,463,184
REQUISITIONS			
Alberta School Foundation Fund	4,346,190	4,773,429	4,569,238
The Evergreens Foundation	820,443	829,331	810,443
Designated Industrial Property	28,931	28,564	27,923
	5,195,564	5,631,324	5,407,604
NET MUNICIPAL PROPERTY TAXES	\$ 12,918,524	\$ 12,843,519	\$ 13,055,580

TOWN OF HINTON
Schedule of Government Transfers
For the Year Ended December 31, 2021

(Schedule 4)

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
TRANSFERS FOR OPERATING			
Local government	\$ 2,760,956	\$ 2,776,655	\$ 2,800,251
Provincial government	<u>1,314,914</u>	<u>1,337,065</u>	<u>2,238,154</u>
	<u>4,075,870</u>	<u>4,113,720</u>	<u>5,038,405</u>
TRANSFERS FOR CAPITAL			
Provincial government	-	<u>3,089,286</u>	345,968
TOTAL GOVERNMENT TRANSFERS	\$ 4,075,870	\$ 7,203,006	\$ 5,384,373

TOWN OF HINTON
Schedule of Expenses by Object
For the Year Ended December 31, 2021

(Schedule 5)

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
Salaries, wages and benefits	\$ 11,717,695	\$ 11,239,501	\$ 10,977,224
Contracted and general services	7,074,337	7,385,341	6,181,981
Amortization of tangible capital assets	4,701,504	4,915,698	4,797,412
Materials, goods and utilities	4,725,647	3,419,670	3,878,959
Transfers to local boards and agencies	371,950	317,220	353,165
Interest on long-term debt	204,167	169,891	222,105
Provision for allowances	21,000	109,509	431,262
Bank charges and short-term interest	23,853	12,714	13,644
	\$ 28,840,153	\$ 27,569,544	\$ 26,855,752

TOWN OF HINTON
Schedule of Segmented Disclosure
For the Year Ended December 31, 2021

(Schedule 6)

	General government	Protective services	Infrastructure services	Environmental services	Public health and welfare	Planning and development	Parks, recreation and culture	2021
REVENUES								
Net municipal property taxes	\$ 12,843,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,843,519
User fees and sales of goods	32,557	86,472	22,537	6,236,010	138,950	6,285	271,068	6,793,879
Government transfers for operating	2,225,172	991,355	50,004	-	493,890	65,299	288,000	4,113,720
Franchise and concession contracts	1,735,933	-	-	-	-	-	-	1,735,933
Rentals	-	15,579	531,347	-	-	35,396	11,114	593,436
Fines	-	254,224	-	-	-	-	-	254,224
Penalties and costs on taxes	203,038	-	-	26,937	-	-	-	229,975
Licenses and permits	-	5,970	-	-	-	165,421	-	171,391
Investment income	169,322	-	-	-	-	-	94	169,416
Other revenues	56,514	337	11,403	13,930	32,956	12,805	22,704	150,649
	17,266,055	1,353,937	615,291	6,276,877	665,796	285,206	592,980	27,056,142
EXPENSES								
Salaries, wages and benefits	2,355,096	1,232,592	2,693,539	607,158	1,120,601	670,574	2,559,941	11,239,501
Contracted and general services	813,701	3,028,406	937,926	1,879,711	205,767	328,321	191,509	7,385,341
Materials, goods and utilities	274,204	117,736	1,963,495	718,797	63,574	67,688	214,176	3,419,670
Transfers to local boards and agencies	307,707	1,438	-	-	-	8,075	-	317,220
Interest on long-term debt	-	-	116,091	6,246	-	34,018	13,536	169,891
Provision for allowances	1,722	107,787	-	-	-	-	-	109,509
Bank charges and short-term interest	1,995	479	-	-	1,802	-	8,438	12,714
	3,754,425	4,488,438	5,711,051	3,211,912	1,391,744	1,108,676	2,987,600	22,653,846
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	13,511,630	(3,134,501)	(5,095,760)	3,064,965	(725,948)	(823,470)	(2,394,620)	4,402,296
Amortization of tangible capital assets	12,569	102,142	3,185,852	1,231,680	6,103	47,019	330,333	4,915,698
NET REVENUE (DEFICIT)	\$ 13,499,061	\$ (3,236,643)	\$ (8,281,612)	\$ 1,833,285	\$ (732,051)	\$ (870,489)	\$ (2,724,953)	\$ (513,402)

The accompanying notes form an integral part of these consolidated financial statements.

JDP Wasserman & Associates // Chartered Professional Accountants

TOWN OF HINTON
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

(Schedule 7)

	General government	Protective services	Infrastructure services	Environmental services	Public health and welfare	Planning and development	Parks, recreation and culture	2020
REVENUES								
Net municipal property taxes	\$ 13,055,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,055,580
User fees and sales of goods	22,523	73,704	11,757	6,094,223	145,635	4,370	316,410	6,668,622
Government transfers for operating	3,205,432	729,956	-	-	632,651	193,819	276,547	5,038,405
Franchise and concession contracts	1,681,427	-	-	-	-	-	-	1,681,427
Rentals	-	12,597	473,176	-	-	33,980	7,018	526,771
Fines	-	269,037	-	-	-	-	-	269,037
Penalties and costs on taxes	141,709	-	-	24,303	-	-	-	166,012
Licenses and permits	-	5,649	-	-	-	147,359	-	153,008
Investment income	148,118	-	-	-	-	-	125	148,243
Other revenues	8,336	1,031	9,201	(31,025)	38,225	85	10,804	36,657
	18,263,125	1,091,974	494,134	6,087,501	816,511	379,613	610,904	27,743,762
EXPENSES								
Salaries, wages and benefits	2,239,719	1,226,626	2,543,243	557,777	1,195,189	827,228	2,387,442	10,977,224
Contracted and general services	681,755	2,519,316	726,325	1,597,784	182,615	312,974	161,212	6,181,981
Materials, goods and utilities	273,173	625,221	1,984,405	434,906	45,357	273,106	242,791	3,878,959
Provision for allowances	5,979	239,269	-	-	328	185,365	321	431,262
Transfers to local boards and agencies	349,126	1,290	-	-	-	2,749	-	353,165
Interest on long-term debt	-	-	155,811	14,404	-	36,098	15,792	222,105
Bank charges and short-term interest	1,040	518	-	-	1,916	244	9,926	13,644
	3,550,792	4,612,240	5,409,784	2,604,871	1,425,405	1,637,764	2,817,484	22,058,340
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	14,712,333	(3,520,266)	(4,915,650)	3,482,630	(608,894)	(1,258,151)	(2,206,580)	5,685,422
Amortization of tangible capital assets	23,987	91,846	3,035,739	1,229,887	6,103	47,019	362,831	4,797,412
NET REVENUE (DEFICIT)	\$ 14,688,346	\$ (3,612,112)	\$ (7,951,389)	\$ 2,252,743	\$ (614,997)	\$ (1,305,170)	\$ (2,569,411)	\$ 888,010

The accompanying notes form an integral part of these consolidated financial statements.

JDP Wasserman & Associates // Chartered Professional Accountants

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

1. ACCOUNTING POLICIES

The consolidated financial statements of Town of Hinton (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to Town Council for the administration of their financial affairs and resources. The reporting entity is comprised of the municipal operations of the Town and the Town of Hinton Municipal Library. Interdepartmental and organizational transactions and balances are eliminated.

The Town is a member of the West Yellowhead Regional Waste Management Authority (the "Authority"). The Town accounts for the Authority as a government partnership using the proportionate consolidation method. Under this method, the Town's proportionate share of assets, liabilities, revenues and expenses are included in the consolidated financial statements.

The schedule of property taxes also includes requisitions that are not part of the reporting entity.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

The Town follows the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the Town has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Investment income is reported as revenue in the year earned. When required by the funding government or by legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and are held for the purposes of operations rather than for investing.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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. Gains on principal protected notes are recognized as income when sold.

(continues)

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

(e) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling 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.

(f) 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 annual surplus (deficit), provides the Consolidated Statement of Changes in Net Financial Assets for the year (page 7).

(g) Inventories for Consumption

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

(h) 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:

Land improvements	15 - 50 years
Buildings	50 years
Engineered structures	10 - 100 years
Machinery and equipment	5 - 25 years
Vehicles	5 - 25 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. Tangible capital assets received or purchased as part of a restructuring transaction are recorded at carrying value at the date of receipt and also are recorded as revenue.

Tangible capital assets under construction are not amortized until the asset is substantially complete and available for productive use. Those tangible capital assets not meeting this criteria are categorized as work-in-progress as of year-end.

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

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.

(continues)

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

(i) *Landfill Closure and Post-Closure Liability*

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the Town may be required to fund its share of the closure of the landfill site and provide for its share of the post-closure costs of the facility. By statute, the Authority must provide for these costs and it is the opinion of the Town's management that the Authority has sufficient reserves to cover the future closure and post-closure.

(j) *Contaminated Sites*

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(k) *Tax Revenue*

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town and are recognized as revenue in the year in which the local improvement project is completed.

(l) *Requisition Over-levies and Under-levies*

Requisition 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. If 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.

(m) *Use of Estimates*

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards 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 consolidated financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Town has used estimates to determine accrued liabilities, tangible capital asset useful lives, the fair value of contributed tangible capital assets, as well as provisions made for allowances for amounts receivable or any provision for impairment.

(continues)

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

1. ACCOUNTING POLICIES (continued)

(n) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2022, *PS3280 Asset Retirement Obligations* provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2023, *PS3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

2. ACCOUNTS RECEIVABLE

	2021	2020
Trade and other	\$ 959,769	\$ 982,692
Utility accounts	477,816	470,573
Current taxes and grants in place of taxes	372,346	578,560
Receivable from other governments	258,912	719,639
Tax arrears	208,573	88,553
Goods and Services Tax recoverable	194,544	148,286
	<hr/>	<hr/>
	2,471,960	2,988,303
Less: allowance for doubtful accounts	(33,306)	(33,513)
	<hr/>	<hr/>
	\$ 2,438,654	\$ 2,954,790

3. LOAN RECEIVABLE

In 2020, the Town loaned the Hinton Golfing Society \$250,000, repayable in annual instalments of \$50,000.

4. INVESTMENTS

	2021	2020
Notice on Amount accounts	\$ 16,930,864	\$ 13,039,970
Servus Credit Union common shares	37,975	37,016
Savings account	8,559	-
Other	6,430	284,779
	<hr/>	<hr/>
	\$ 16,983,828	\$ 13,361,765

Notice on Amount accounts have effective interest rates ranging from prime minus 1.45% to 1.90% (2020 - prime minus 1.45% to 2.45%) and requires 31 to 90 days (2020 - 31 to 90 days) notice prior to withdrawal.

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade and other	\$ 2,190,087	\$ 1,376,636
Employee earned vacation, sick and overtime liability	728,428	692,847
Construction holdbacks	<u>217,857</u>	86,434
	<u>\$ 3,136,372</u>	<u>\$ 2,155,917</u>

6. DEFERRED REVENUE

Deferred revenue represents unspent externally restricted funds that are related to expenses that will be incurred in a future period.

	2021	2020
Municipal Sustainability Initiative - Capital	\$ 1,732,139	\$ 1,461,601
Municipal Stimulus Program	1,174,664	150,000
Other	83,895	424,922
Federal Gas Tax Fund	<u>68,145</u>	374,190
	<u>\$ 3,058,843</u>	<u>\$ 2,410,713</u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

7. LONG-TERM DEBT

	2021	2020
Alberta Capital Finance Authority debentures repayable in semi-annual installments including interest at 2.226% - 6.625% maturing between 2022 and 2032.	\$ 3,514,945	\$ 3,166,756
Alberta Treasury Branches loan bearing interest at prime minus 0.25% and matures on June 30, 2032. Interest is payable monthly, and principal payments of \$16,667 are payable seasonally for 6 months of each year.	1,159,645	1,268,615
Canada Mortgage and Housing Corporation loans bearing interest at rates of 1.43% to 8.25%, maturing between January 2022 and December 2026. Repayable in annual installments of \$13,203 and monthly installments of \$503, respectively.	<u>42,181</u>	<u>58,856</u>
	<u><u>\$ 4,716,771</u></u>	<u><u>\$ 4,494,227</u></u>

Long-term debt is comprised of \$3,557,126 (2020 - \$3,225,612) of capital debt and \$1,159,645 (2020 - \$1,268,615) of non-capital debt.

Principal and interest payments are due as follows:

	<u><u>Principal</u></u>	<u><u>Interest</u></u>	<u><u>Total</u></u>
2022	\$ 660,535	\$ 152,587	\$ 813,122
2023	516,707	128,749	645,456
2024	538,198	105,747	643,945
2025	561,483	82,462	643,945
2026	290,210	57,959	348,169
Thereafter	<u>2,149,638</u>	<u>270,223</u>	<u>2,419,861</u>
	<u><u>\$ 4,716,771</u></u>	<u><u>\$ 797,727</u></u>	<u><u>\$ 5,514,498</u></u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

8. 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 be disclosed as follows:

	2021	2020
Total debt limit	\$ 40,584,213	\$ 41,615,642
Total debt	<u>(4,716,771)</u>	<u>(4,494,227)</u>
Total debt limit remaining	\$ 35,867,442	\$ 37,121,415
Service on debt limit	\$ 6,764,036	\$ 6,935,940
Service on debt	<u>(813,122)</u>	<u>(1,317,188)</u>
Total service on debt limit remaining	\$ 5,950,914	\$ 5,618,752

The debt limit is calculated at 1.5 times revenues of the Town (as defined by Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenues. Incurring debt beyond these limits 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 stability of the Town. Rather, the consolidated financial statements must be interpreted as a whole.

9. ACCUMULATED SURPLUS

	2021	2020
Unrestricted surplus (deficit)	\$ (793,663)	\$ (685,231)
Restricted surplus		
Operating reserves (Note 10)	3,850,136	3,669,657
Capital reserves (Note 10)	12,338,416	9,744,204
Equity in tangible capital assets (Schedule 2)	<u>149,421,045</u>	<u>149,486,250</u>
	\$164,815,934	\$162,214,880

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

10. RESTRICTED SURPLUS

	2021	2020
Operating Reserves		
Emergency response	\$ 900,733	\$ 700,000
Municipal reserve	860,281	934,185
Automated traffic enforcement	680,326	721,562
Fire department	567,859	504,843
Library	307,804	286,190
Information technology	231,441	208,791
West Yellowhead Regional Waste Management Authority	136,108	17,500
Housing	133,907	133,907
Operating - other	21,032	17,257
Operating - project requests	10,645	145,422
	<u>\$ 3,850,136</u>	<u>\$ 3,669,657</u>
Capital Reserves		
Water and sewer	\$ 3,454,909	\$ 2,796,577
Offsite levy fund	1,998,313	1,991,266
New infrastructure	1,520,186	1,627,003
Equipment and fleet	1,221,653	782,681
Facilities and components	941,864	678,417
West Yellowhead Regional Waste Management Authority	782,584	675,698
Recreation centre construction	769,761	482,771
Parks and trails infrastructure	739,239	297,850
Roads and sidewalks	565,636	73,451
Other capital	344,271	338,490
	<u>\$ 12,338,416</u>	<u>\$ 9,744,204</u>

11. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	2021 (Budget) (Note 13)	2021 (Actual)	2020 (Actual)
Fortis Alberta Inc.	\$ 1,319,040	\$ 1,321,638	\$ 1,273,949
ATCO natural gas	413,480	414,295	407,478
	<u>\$ 1,732,520</u>	<u>\$ 1,735,933</u>	<u>\$ 1,681,427</u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

12. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Town officials, the Town Chief Administrative Officer and designated officers are required by Alberta Regulation 313/200 as follows:

	Salary (1)	Benefits (2)	2021	2020
Mayor Michaels	\$ 79,275	\$ 4,364	\$ 83,639	\$ 79,101
Councillors				
Haas	34,850	2,222	37,072	34,525
Ostashek	34,450	2,194	36,644	30,956
Race	33,250	1,699	34,949	33,220
Maguhn	30,925	1,948	32,873	29,224
Nelson	30,608	1,965	32,573	30,662
Waugh	26,758	1,696	28,454	33,486
Taylor	6,523	401	6,924	-
LaBerge	6,423	394	6,817	-
Chief Administrative Officer				
Olsen	186,230	40,859	227,089	216,239
Howarth	56,475	9,462	65,937	-
	<hr/> \$ 525,767	<hr/> \$ 67,204	<hr/> \$ 592,971	<hr/> \$ 487,413

(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. Benefits also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

13. BUDGET FIGURES

	2021 (Budget)	2021 (Actual)
Annual surplus (deficit)	\$ (1,420,963)	\$ 2,601,054
Acquisition of tangible capital assets	-	(5,199,614)
Repayment of long-term debt	(1,122,269)	(1,077,456)
Proceeds on issuance of long-term debt	-	1,300,000
Net transfers (to) from reserves:	(2,389,717)	(2,774,691)
Results of operations	<hr/> \$ (4,932,949)	<hr/> \$ (5,150,707)

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on December 15, 2020. The chart above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

14. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant market or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The Town is exposed to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that customers, tax and rate-payers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers, tax and rate-payers minimizes the Town's credit risk.

15. SEGMENTED INFORMATION

The Town provides a range of services to its citizens. 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 consolidated financial statements as disclosed in Note 1. For additional information see the Schedules of Segmented Disclosure (Schedule 6 & Schedule 7).

16. CONTINGENCIES AND GUARANTEES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of 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 involved in various legal disputes at December 31, 2021, the outcomes of which are not currently determinable. Any related settlements not covered by insurance will be recorded as an expense in the year incurred.

In prior years, the Town provided a refundable grant to a developer for the construction of an affordable housing development, Happy Creek Estates Ltd ("Happy Creek"). The developer agreed to operate Happy Creek for a period of 20 years (2009 to 2029). At the end of the 20 year period, if the Town determines that Happy Creek is no longer required as an affordable housing development, the Town will be entitled to a refund of the original grant of \$1,619,646 or 19.6% of Happy Creek's fair value, whichever is greater.

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

17. 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*.

Contributions for current and past service are recorded as expenses in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 9.39% (2020 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2020 - 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (2020 - 8.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2020 - 12.84%) on pensionable salary above this amount.

Total current and past service contributions by the Town to the LAPP in 2021 totalled \$760,954 (2020 - \$788,343). Total current and past service contributions by the employees of the Town to the LAPP in 2021 totalled \$682,593 (2020 - \$714,195).

As at December 31, 2020, the LAPP disclosed an actuarial surplus of \$5.0 billion (2019 - \$7.9 billion). This amount was not specifically allocated to the participating government organizations.

18. GOVERNMENT PARTNERSHIP

The Town of Hinton, Yellowhead County, Town of Edson and Municipality of Jasper (the "members") jointly own and operate the West Yellowhead Regional Waste Management Authority to construct, maintain, control and manage a regional solid waste disposal system.

The members have agreed to proportionately share costs associated with expenditures arising from the operation of the Authority. The proportions are based on each member's volume of municipal solid waste hauled and deposited to the system for disposal, relative to the total tonnage of solid waste hauled and deposited by all members.

The following is 100% of the financial position and results of operations of the Authority partnership, of which 25% has been proportionately consolidated in the financial statements of the Town.

	2021	2020
Financial assets	\$ 4,361,674	\$ 3,422,734
Non-financial assets	3,113,998	3,479,633
Landfill closure and post-closure liability	(584,379)	(552,960)
Accounts payable and accrued liabilities	<u>(104,225)</u>	<u>(96,981)</u>
Accumulated surplus	\$ 6,787,068	\$ 6,252,426
Total revenues	\$ 2,039,089	\$ 2,149,202
Total expenses	<u>(1,504,447)</u>	<u>(1,669,928)</u>
Annual surplus	\$ 534,642	\$ 479,274

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021

19. IMPACT OF COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. COVID-19 had various operational and financial impacts on the Town in 2021, mainly with regards to decreased revenues and corresponding personnel and other operating expenses related to facilities and programs that were unable to operate, and increased government transfers revenues providing COVID-19 relief and recovery funding.

Management's opinion is that COVID-19 has not and will not have a significant financial impact on the Town. Overall, as government response is still ongoing and an end to the pandemic is indeterminable, an estimate of any future potential financial impact on the Town cannot be made at this time. However, many businesses and individuals in a vast array of sectors may continue to experience an economic loss due to COVID-19 which may have a financial impact on the Town.

20. COMPARATIVE FIGURES

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

21. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Town Council and management.
