

TOWN OF HINTON
Consolidated Financial Statements
For the Year Ended December 31, 2022

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 LLP have been appointed by the Members of Council of Town of Hinton to express an opinion on the consolidated financial statements.

Jordan Panasiuk
Chief Administrative Officer

Hinton, AB
April 18, 2023



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INDEPENDENT AUDITORS' 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, 2022, 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, 2022, 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 *Auditors' 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.

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.

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Auditors' 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 auditors' 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 auditors' 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
April 18, 2023

**JDP Wasserman
LLP**
Chartered Professional Accountants

TOWN OF HINTON
Consolidated Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 5,444,736	\$ 3,328,237
Accounts receivable (Note 2)	3,027,673	2,438,654
Loan receivable (Note 3)	101,892	151,892
Investments (Note 4)	17,351,043	16,983,828
Land held for resale	2,960	2,960
	<u>25,928,304</u>	<u>22,905,571</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	4,151,961	3,136,372
Deposit liabilities	422,214	434,916
Deferred revenue (Note 6)	2,155,462	3,058,843
Long-term debt (Note 7)	4,856,862	4,716,771
Landfill closure and post-closure liability (Note 18)	123,160	146,095
	<u>11,709,659</u>	<u>11,492,997</u>
NET FINANCIAL ASSETS	<u>14,218,645</u>	<u>11,412,574</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	171,714	124,940
Inventory for consumption	334,464	300,249
Tangible capital assets (Schedule 1)	153,064,042	152,978,171
	<u>153,570,220</u>	<u>153,403,360</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$167,788,865</u>	<u>\$164,815,934</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 LLP /// Chartered Professional Accountants

TOWN OF HINTON
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2022

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 13,115,820	\$ 13,069,545	\$ 12,843,519
User fees and sales of goods	6,747,260	7,008,192	6,793,879
Government transfers for operating (Schedule 4)	3,970,995	4,183,633	4,113,720
Franchise and concession contracts (Note 11)	1,732,520	1,844,059	1,735,933
Investment income	135,730	598,607	169,416
Rentals	465,360	532,643	593,436
Penalties and costs on taxes	168,500	211,125	229,975
Licenses and permits	272,000	196,553	171,391
Fines	310,000	145,766	254,224
Other revenues	131,916	103,477	150,649
	<u>27,050,101</u>	<u>27,893,600</u>	<u>27,056,142</u>
EXPENSES			
Infrastructure services	9,149,416	9,300,254	8,896,904
Environmental services	4,177,525	4,238,609	4,443,591
Protective services	4,274,727	4,220,372	4,590,580
General government	4,309,687	4,158,525	3,766,993
Parks, recreation and culture	3,346,772	3,094,975	2,779,584
Public health and welfare	1,545,354	1,566,738	1,397,847
Planning and development	1,297,628	1,210,502	1,155,696
Library	598,390	484,583	538,349
	<u>28,699,499</u>	<u>28,274,558</u>	<u>27,569,544</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	<u>(1,649,398)</u>	<u>(380,958)</u>	<u>(513,402)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital (Schedule 4)	-	3,215,008	3,089,286
Other contributions for capital	-	89,152	-
Developer offsite levies	10,000	37,819	7,047
Loss on disposal of tangible capital assets	-	11,910	18,123
	<u>10,000</u>	<u>3,353,889</u>	<u>3,114,456</u>
ANNUAL SURPLUS (DEFICIT)	<u>(1,639,398)</u>	<u>2,972,931</u>	<u>2,601,054</u>
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>164,815,934</u>	<u>164,815,934</u>	<u>162,214,880</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$163,176,536</u>	<u>\$167,788,865</u>	<u>\$164,815,934</u>

TOWN OF HINTON
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2022

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ (1,639,398)	\$ 2,972,931	\$ 2,601,054
Amortization of tangible capital assets	4,701,569	5,127,160	4,915,698
Purchase of tangible capital assets	-	(5,221,962)	(5,199,614)
Proceeds on disposal of tangible capital assets	-	20,841	35,730
Loss on disposal of tangible capital assets	-	(11,910)	(18,123)
Acquisition of prepaid expenses	-	(46,774)	(58,032)
Use (acquisition) of inventory for consumption	-	(34,215)	10,287
	<u>4,701,569</u>	<u>(166,860)</u>	<u>(314,054)</u>
INCREASE IN NET FINANCIAL ASSETS	3,062,171	2,806,071	2,287,000
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>11,412,574</u>	<u>11,412,574</u>	<u>9,125,574</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 14,474,745</u>	<u>\$ 14,218,645</u>	<u>\$ 11,412,574</u>

TOWN OF HINTON
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus	\$ 2,972,931	\$ 2,601,054
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	5,127,160	4,915,698
Loss on disposal of tangible capital assets	(11,910)	(18,123)
	<u>8,088,181</u>	<u>7,498,629</u>
Changes in non-cash working capital:		
Accounts receivable	(589,019)	516,136
Loan receivable	50,000	50,000
Accounts payable and accrued liabilities	1,015,589	980,455
Deposit liabilities	(12,702)	12,164
Deferred revenue	(903,381)	648,130
Landfill closure and post-closure liability	(22,935)	7,855
Prepaid expenses	(46,774)	(58,032)
Inventory for consumption	(34,215)	10,287
	<u>(543,437)</u>	<u>2,166,995</u>
Cash flow from operating activities	<u>7,544,744</u>	<u>9,665,624</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(5,221,962)	(5,199,614)
Proceeds on disposal of tangible capital assets	20,841	35,730
Net change in investments	<u>(367,215)</u>	<u>(3,622,063)</u>
Cash flow used by investing activities	<u>(5,568,336)</u>	<u>(8,785,947)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(679,909)	(1,077,456)
Proceeds on issuance of long-term debt	<u>820,000</u>	<u>1,300,000</u>
Cash flow from financing activities	<u>140,091</u>	<u>222,544</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>2,116,499</u>	<u>1,102,221</u>
Cash and cash equivalents - beginning of year	<u>3,328,237</u>	<u>2,226,016</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,444,736</u>	<u>\$ 3,328,237</u>

TOWN OF HINTON
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
COST								
BALANCE, BEGINNING 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
Purchase of tangible capital assets	-	336,534	2,748,692	274,886	1,208,356	653,494	5,221,962	5,199,614
Disposal of tangible capital assets	-	-	-	-	(582,434)	-	(582,434)	(460,220)
BALANCE, END OF YEAR	19,530,890	16,986,696	49,528,400	156,750,155	11,537,334	6,480,661	260,814,136	256,174,608
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	10,611,749	20,371,978	63,601,358	6,225,696	2,385,656	103,196,437	98,723,352
Amortization of tangible capital assets	-	517,556	1,270,644	2,532,147	557,010	249,803	5,127,160	4,915,698
Disposal of tangible capital assets	-	-	-	-	(573,503)	-	(573,503)	(442,613)
BALANCE, END OF YEAR	-	11,129,305	21,642,622	66,133,505	6,209,203	2,635,459	107,750,094	103,196,437
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 19,530,890	\$ 5,857,391	\$ 27,885,778	\$ 90,616,650	\$ 5,328,131	\$ 3,845,202	\$153,064,042	\$152,978,171
 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2021	 \$ 19,530,890	 \$ 6,038,413	 \$ 26,407,730	 \$ 92,873,911	 \$ 4,685,716	 \$ 3,441,511		 \$152,978,171

Included in the net book value of tangible capital assets is work-in-progress of \$3,028,606 (2021 - \$1,675,701).

TOWN OF HINTON
Schedule of Equity in Tangible Capital Assets **(Schedule 2)**
For the Year Ended December 31, 2022

	2022	2021
BALANCE, BEGINNING OF YEAR	\$149,421,045	\$149,486,250
Purchase of tangible capital assets	5,221,962	5,199,614
Amortization of tangible capital assets	(5,127,160)	(4,915,698)
Repayment of long-term debt	679,909	1,077,456
Proceeds on issuance of long-term debt	(820,000)	(1,300,000)
Cost of tangible capital assets disposed of	(582,434)	(460,220)
Accumulated amortization of tangible capital assets disposed	573,503	442,613
Repayment of non-capital long-term debt	(93,014)	(108,970)
BALANCE, END OF YEAR	\$149,273,811	\$149,421,045
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets (Schedule 1)	\$153,064,042	\$152,978,171
Long-term debt (Note 7)	(4,856,862)	(4,716,771)
Non-capital long-term debt (Note 7)	1,066,631	1,159,645
	\$149,273,811	\$149,421,045

TOWN OF HINTON
Schedule of Property Taxes
For the Year Ended December 31, 2022

(Schedule 3)

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
TAXATION			
Real property taxes	\$ 18,368,325	\$ 18,268,351	\$ 17,998,926
Designated industrial property taxes	427,122	443,735	420,019
Government grants in lieu of property taxes	55,898	24,099	55,898
	<u>18,851,345</u>	<u>18,736,185</u>	<u>18,474,843</u>
REQUISITIONS			
Alberta School Foundation Fund	4,747,030	4,676,960	4,773,429
The Evergreens Foundation	959,564	960,770	829,331
Designated Industrial Property	28,931	28,910	28,564
	<u>5,735,525</u>	<u>5,666,640</u>	<u>5,631,324</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 13,115,820</u>	<u>\$ 13,069,545</u>	<u>\$ 12,843,519</u>

TOWN OF HINTON
Schedule of Government Transfers
For the Year Ended December 31, 2022

(Schedule 4)

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
TRANSFERS FOR OPERATING			
Local government	\$ 2,819,653	\$ 3,090,592	\$ 2,776,655
Provincial government	1,151,342	1,093,041	1,337,065
	<u>3,970,995</u>	<u>4,183,633</u>	<u>4,113,720</u>
TRANSFERS FOR CAPITAL			
Provincial government	-	3,215,008	3,089,286
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,970,995</u>	<u>\$ 7,398,641</u>	<u>\$ 7,203,006</u>

TOWN OF HINTON
Schedule of Expenses by Object
For the Year Ended December 31, 2022

(Schedule 5)

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
Salaries, wages and benefits	\$ 12,342,594	\$ 11,326,957	\$ 11,239,501
Contracted and general services	7,200,379	7,221,915	7,385,341
Amortization of tangible capital assets	4,701,569	5,127,160	4,915,698
Materials, goods and utilities	3,666,161	3,793,551	3,419,670
Transfers to local boards and agencies	581,600	475,202	317,220
Interest on long-term debt	158,111	189,019	169,891
Provision for allowances	21,000	117,390	109,509
Bank charges and short-term interest	28,085	23,364	12,714
	<u>\$ 28,699,499</u>	<u>\$ 28,274,558</u>	<u>\$ 27,569,544</u>

TOWN OF HINTON
Schedule of Segmented Disclosure
For the Year Ended December 31, 2022

(Schedule 6)

	General government	Protective services	Infrastructure services	Environmental services	Public health and welfare	Planning and development	Parks, recreation and culture	2022
REVENUES								
Net municipal property taxes	\$ 13,069,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,069,545
User fees and sales of goods	22,805	124,198	1,886	6,031,424	255,324	5,600	566,955	7,008,192
Government transfers for operating	2,503,548	719,806	-	-	568,541	85,439	306,299	4,183,633
Franchise and concession contracts	1,844,059	-	-	-	-	-	-	1,844,059
Investment income	598,159	-	-	-	-	-	448	598,607
Rentals	-	9,290	453,563	-	240	41,193	28,357	532,643
Penalties and costs on taxes	186,076	-	-	25,049	-	-	-	211,125
Licenses and permits	-	6,870	-	-	-	189,683	-	196,553
Fines	-	145,766	-	-	-	-	-	145,766
Other revenues	40,698	-	14,367	11,976	27,398	1,613	7,425	103,477
	18,264,890	1,005,930	469,816	6,068,449	851,503	323,528	909,484	27,893,600
EXPENSES								
Salaries, wages and benefits	2,191,346	1,141,638	2,763,904	588,736	1,199,680	736,849	2,704,804	11,326,957
Contracted and general services	1,028,876	2,677,726	954,655	1,856,733	228,615	268,281	207,029	7,221,915
Materials, goods and utilities	412,338	127,359	2,221,335	500,443	131,350	102,061	298,665	3,793,551
Transfers to local boards and agencies	466,192	1,340	-	-	-	7,670	-	475,202
Interest on long-term debt	-	-	127,718	-	-	50,161	11,140	189,019
Provision for allowances	18,063	99,013	-	-	-	314	-	117,390
Bank charges and short-term interest	3,075	750	-	-	3,287	-	16,252	23,364
	4,119,890	4,047,826	6,067,612	2,945,912	1,562,932	1,165,336	3,237,890	23,147,398
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS								
	14,145,000	(3,041,896)	(5,597,796)	3,122,537	(711,429)	(841,808)	(2,328,406)	4,746,202
Amortization of tangible capital assets	38,634	169,987	3,232,641	1,295,258	3,806	45,166	341,668	5,127,160
NET REVENUE (DEFICIT)	\$ 14,106,366	\$ (3,211,883)	\$ (8,830,437)	\$ 1,827,279	\$ (715,235)	\$ (886,974)	\$ (2,670,074)	\$ (380,958)

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

(Schedule 7)

	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
	<u>17,266,055</u>	<u>1,353,937</u>	<u>615,291</u>	<u>6,276,877</u>	<u>665,796</u>	<u>285,206</u>	<u>592,980</u>	<u>27,056,142</u>
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
	<u>3,754,425</u>	<u>4,488,438</u>	<u>5,711,051</u>	<u>3,211,912</u>	<u>1,391,744</u>	<u>1,108,676</u>	<u>2,987,600</u>	<u>22,653,846</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	<u>13,511,630</u>	<u>(3,134,501)</u>	<u>(5,095,760)</u>	<u>3,064,965</u>	<u>(725,948)</u>	<u>(823,470)</u>	<u>(2,394,620)</u>	<u>4,402,296</u>
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)	<u>\$ 13,499,061</u>	<u>\$ (3,236,643)</u>	<u>\$ (8,281,612)</u>	<u>\$ 1,833,285</u>	<u>\$ (732,051)</u>	<u>\$ (870,489)</u>	<u>\$ (2,724,953)</u>	<u>\$ (513,402)</u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

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, 2022

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, 2022

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, 2022

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

	<u>2022</u>	<u>2021</u>
Utility accounts	\$ 1,085,975	\$ 733,006
Current taxes and grants in place of taxes	775,690	372,346
Trade and other	651,071	704,579
Goods and Services Tax recoverable	227,959	194,544
Receivable from other governments	185,509	258,912
Tax arrears	134,381	208,573
	<u>3,060,585</u>	<u>2,471,960</u>
Less: allowance for doubtful accounts	<u>(32,912)</u>	<u>(33,306)</u>
	<u>\$ 3,027,673</u>	<u>\$ 2,438,654</u>

3. LOAN RECEIVABLE

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

4. INVESTMENTS

	<u>2022</u>	<u>2021</u>
Notice on Amount accounts	\$ 17,296,385	\$ 16,930,864
Servus Credit Union common shares	39,491	37,975
Savings account	8,778	8,559
Other	6,389	6,430
	<u>\$ 17,351,043</u>	<u>\$ 16,983,828</u>

Notice on Amount accounts have effective interest rates ranging from prime minus 1.25% to 1.65% (2021 - prime minus 1.45% to 1.90%) and requires 31 to 90 days (2021 - 31 to 90 days) notice prior to withdrawal.

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2022</u>	<u>2021</u>
Trade and other	\$ 3,134,445	\$ 2,190,087
Employee earned vacation, sick and overtime liability	625,839	728,428
Construction holdbacks	391,677	217,857
	<u>\$ 4,151,961</u>	<u>\$ 3,136,372</u>

6. DEFERRED REVENUE

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

	<u>2022</u>	<u>2021</u>
Municipal Sustainability Initiative - Capital	\$ 1,616,673	\$ 1,732,139
Federal Gas Tax Fund	268,452	68,145
Other	137,523	83,895
CMHC Rapid Housing Initiative	132,814	-
Municipal Stimulus Program	-	1,174,664
	<u>\$ 2,155,462</u>	<u>\$ 3,058,843</u>

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

7. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Alberta Capital Finance Authority debentures repayable in semi-annual installments including interest at 2.226% - 6.625% maturing between 2022 and 2032.	\$ 3,766,745	\$ 3,514,945
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.	1,066,631	1,159,645
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>23,486</u>	<u>42,181</u>
	\$ 4,856,862	\$ 4,716,771

Long-term debt is comprised of \$3,790,231 (2021 - \$3,557,126) of capital debt and \$1,066,631 (2021 - \$1,159,645) of non-capital debt. The Town has access to an operating revolving line of credit of \$1,900,000 not to exceed the prime lending rate from time to time, no funds were advanced as of December 31, 2022 or 2021.

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 584,228	\$ 164,895	\$ 749,123
2024	608,922	138,689	747,611
2025	635,564	112,047	747,611
2026	367,805	84,030	451,835
2027	378,540	75,656	454,196
Thereafter	<u>2,281,803</u>	<u>167,942</u>	<u>2,449,745</u>
	\$ 4,856,862	\$ 743,259	\$ 5,600,121

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

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:

	<u>2022</u>	<u>2021</u>
Total debt limit	\$ 41,840,400	\$ 40,584,213
Total debt	<u>(4,856,862)</u>	<u>(4,716,771)</u>
Total debt limit remaining	\$ 36,983,538	\$ 35,867,442
Service on debt limit	\$ 6,973,400	\$ 6,764,036
Service on debt	<u>(749,123)</u>	<u>(813,122)</u>
Total service on debt limit remaining	\$ 6,224,277	\$ 5,950,914

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

	<u>2022</u>	<u>2021</u>
Unrestricted surplus (deficit)	\$ 488,870	\$ (793,663)
Restricted surplus		
Operating reserves (Note 10)	3,835,710	3,850,136
Capital reserves (Note 10)	14,190,474	12,338,416
Equity in tangible capital assets (Schedule 2)	<u>149,273,811</u>	<u>149,421,045</u>
	\$167,788,865	\$164,815,934

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

10. RESTRICTED SURPLUS

	2022	2021
Operating Reserves		
Municipal reserve	\$ 1,319,089	\$ 860,281
Emergency response	931,742	900,733
Automated traffic enforcement	609,561	680,326
Library	418,994	307,804
Information technology	230,389	231,441
Housing	133,907	133,907
Operating - project requests	99,142	10,645
Fire department	53,234	567,859
Operating - other	25,894	21,032
West Yellowhead Regional Waste Management Authority	13,758	136,108
	\$ 3,835,710	\$ 3,850,136
Capital Reserves		
Water and sewer	\$ 4,513,730	\$ 3,454,909
Offsite levy fund	2,036,132	1,998,313
New infrastructure	1,572,522	1,520,186
Facilities and components	1,321,391	941,864
Roads and sidewalks	1,085,053	565,636
Recreation centre construction	990,010	769,761
West Yellowhead Regional Waste Management Authority	979,255	782,584
Equipment and fleet	721,257	1,221,653
Parks and trails infrastructure	646,961	739,239
Other capital	324,163	344,271
	\$ 14,190,474	\$ 12,338,416

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:

	2022 (Budget) (Note 13)	2022 (Actual)	2021 (Actual)
Fortis Alberta Inc.	\$ 1,330,665	\$ 1,332,952	\$ 1,321,638
ATCO natural gas	401,855	511,107	414,295
	\$ 1,732,520	\$ 1,844,059	\$ 1,735,933

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

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 is as follows:

	Salary (1)	Benefits (2)	2022	2021
Mayor Michaels	\$ 76,325	\$ 4,164	\$ 80,489	\$ 83,639
Councillors				
Haas	35,975	2,164	38,139	37,072
LaBerge	33,275	1,987	35,262	6,817
Ostashek	33,000	1,969	34,969	36,644
Taylor	32,550	1,939	34,489	6,924
Race	33,700	293	33,993	34,949
Maguhn	29,075	1,711	30,786	32,873
Nelson	-	-	-	32,573
Waugh	-	-	-	28,454
Chief Administrative Officer				
Olsen	194,749	-	194,749	227,089
Hanlan	177,929	-	177,929	-
Panasiuk	49,656	10,387	60,043	-
Howarth	23,357	3,985	27,342	65,937
	<u>\$ 719,591</u>	<u>\$ 28,599</u>	<u>\$ 748,190</u>	<u>\$ 592,971</u>

(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

	2022 (Budget)	2022 (Actual)
Annual surplus (deficit)	\$ (1,639,398)	\$ 2,972,931
Acquisition of tangible capital assets	-	(5,221,962)
Repayment of long-term debt	(569,553)	(679,909)
Proceeds on issuance of long-term debt	-	820,000
Net transfers (to) from reserves:	(1,717,449)	(1,837,632)
Results of operations	<u>\$ (3,926,400)</u>	<u>\$ (3,946,572)</u>

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by Town Council on March 1, 2022. 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, 2022

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, 2022, 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.

In August 2021, a collective bargaining agreement was announced between the federal government and the National Police Federation, representing nearly 20,000 RCMP officers across Canada. The agreement includes an increase in pay for RCMP officers and retroactive pay going back to 2017. The new agreement has financial impacts on municipalities that use contract RCMP police services, such as the Town. Future costs to the Town for this retroactive pay are estimated to be as much as \$750,000. No amount payable has been recorded as of December 31, 2022 or 2021.

TOWN OF HINTON
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2022

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 8.45% (2021 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% (2021 - 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (2021 - 8.39%) of pensionable salary up to the year's maximum pensionable salary and 11.80% (2021 - 12.84%) on pensionable salary above this amount.

Total current and past service contributions by the Town to the LAPP in 2022 totalled \$651,700 (2021 - \$760,954). Total current and past service contributions by the employees of the Town to the LAPP in 2022 totalled \$583,707 (2021 - \$682,593).

As at December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.9 billion (2020 - \$5.0 billion). This amount was not specifically allocated to the participating government organizations.

18. GOVERNMENT PARTNERSHIP

The Town of Hinton, Yellowhead County, Town of Edson, Municipal District of Greenview No. 16 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 20% has been proportionately consolidated in the financial statements of the Town.

	2022	2021
Financial assets	\$ 5,691,542	\$ 4,361,674
Non-financial assets	2,732,564	3,113,998
Landfill closure and post-closure liability	(615,798)	(584,379)
Accounts payable and accrued liabilities	(112,374)	(104,225)
Accumulated surplus	\$ 7,695,934	\$ 6,787,068
 Total revenues	 \$ 1,805,086	 \$ 2,039,089
Total expenses	(896,220)	(1,504,447)
 Annual surplus	 \$ 908,866	 \$ 534,642

19. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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