

Consolidated Financial Statements of

TOWN OF HINTON

Year ended December 31, 2020

TOWN OF HINTON

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Year ended December 31, 2020

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Town of Hinton (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their receipt of the consolidated financial statements. The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Laura Howarth
Acting Chief Administrative Officer

August 24, 2021



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of the Town of Hinton

Opinion

We have audited the consolidated financial statements of Town of Hinton (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2020, and its results of operations, changes in net financial assets and its 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 Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 Entity'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 Entity'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 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 auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- 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.

DRAFT

Chartered Professional Accountants

Edmonton, Canada

August 24, 2021

TOWN OF HINTON

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 2,226,016	\$ 2,948,237
Receivables:		
Taxes and grants in place of taxes (note 2)	667,113	597,754
Trade and other receivables (note 3)	2,287,677	3,377,451
Loan receivable (note 4)	201,892	1,521,501
Land held for resale	2,960	2,960
Investments (note 5)	13,361,765	9,040,940
	<u>18,747,423</u>	<u>17,488,843</u>
Liabilities:		
Accounts payable and accrued liabilities	2,069,483	3,172,129
Deposit liabilities	509,186	371,775
Deferred revenue (note 6)	2,410,713	885,256
Long-term debt (notes 7 and 8)	4,494,227	5,611,100
Landfill closure and post-closure liability (note 9)	138,240	88,543
	<u>9,621,849</u>	<u>10,128,803</u>
Net financial assets	9,125,574	7,360,040
Non-financial assets:		
Tangible capital assets (Schedule 1)	152,711,862	153,284,994
Inventory for consumption	310,536	284,284
Prepaid expenses and deposits	66,908	52,386
	<u>153,089,306</u>	<u>153,621,664</u>
Contingencies and guarantees (note 14)		
Impact of COVID-19 (note 19)		
Accumulated surplus (note 10)	\$ 162,214,880	\$ 160,981,704

See accompanying notes to consolidated financial statements.

Approved by:

 _____ Mayor
 _____ Councillor Acting CAO

TOWN OF HINTON

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020	2019
Revenue:			
Net municipal taxes (Schedule 3)	\$ 13,110,954	\$ 13,055,580	\$ 13,135,691
User fees and sales of goods	7,205,333	6,668,622	7,258,566
Government transfers for operating (Schedule 4)	3,890,527	5,038,405	6,135,593
Franchise fees	1,689,025	1,681,427	1,670,137
Rentals	606,804	526,771	589,649
Fines	535,000	269,037	620,523
Investment income	250,230	148,243	263,316
Licenses and permits	207,600	153,008	133,153
Penalties and costs on taxes	195,255	166,012	189,272
Other	158,153	36,657	162,470
Development levies	50,000	-	18,411
	27,898,881	27,743,762	30,176,781
Expenses (Schedule 2):			
Infrastructure services	9,184,225	8,430,877	8,950,213
Protective services	4,350,292	4,704,024	4,940,203
General government	4,087,501	3,574,550	3,798,621
Environmental services	4,171,625	3,834,758	4,407,839
Parks, recreation and culture	3,191,131	2,600,757	3,256,342
Planning and development	2,031,678	1,684,782	2,661,665
Public health and welfare	1,800,377	1,431,507	2,299,534
Library	687,954	594,497	649,147
	29,504,783	26,855,752	30,963,564
Excess (deficiency) of revenue over expenses before other	(1,605,902)	888,010	(786,783)
Capital revenue (expenses):			
Government transfers for capital (Schedule 4)	3,364,840	345,968	3,088,909
Loss on disposal of tangible capital assets	-	(802)	-
Annual surplus	1,758,938	1,233,176	2,302,126
Accumulated surplus, beginning of year	160,981,704	160,981,704	158,679,578
Accumulated surplus, end of year	\$ 162,740,642	\$ 162,214,880	\$ 160,981,704

See accompanying notes to consolidated financial statements.

TOWN OF HINTON

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Annual surplus	\$ 1,758,938	\$ 1,233,176	\$ 2,302,126
Acquisition of tangible capital assets	(10,130,302)	(4,229,884)	(3,043,104)
Amortization of tangible capital assets	4,716,787	4,797,412	4,710,786
Proceeds on disposal of tangible capital assets	-	4,802	-
Gain on disposal of tangible capital assets	-	802	-
	(5,413,515)	573,132	1,667,682
Change in prepaid expenses and deposits	-	(14,522)	133,956
Change in inventory for consumption	-	(26,252)	2,546
	-	(40,774)	136,502
Change in net financial assets	(3,654,577)	1,765,534	4,106,310
Net financial assets, beginning of year	7,360,040	7,360,040	3,253,730
Net financial assets, end of year	\$ 3,705,463	\$ 9,125,574	\$ 7,360,040

See accompanying notes to consolidated financial statements.

TOWN OF HINTON

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 1,233,176	\$ 2,302,126
Items not involving cash:		
Amortization of tangible capital assets	4,797,412	4,710,786
Loss on disposal of tangible capital assets	802	-
Changes in non-cash operating working capital:		
Taxes and grants in place of taxes	(69,359)	(139,895)
Trade and other receivables	1,089,774	(264,945)
Loan receivable	(30,391)	(104,816)
Accounts payable and accrued liabilities	(1,102,646)	691,265
Deposit liabilities	137,411	(414,361)
Deferred revenue	1,525,457	(871,093)
Landfill closure and post-closure liability	49,697	4,734
Inventory for consumption	(26,252)	2,546
Prepaid expenses and deposits	(14,522)	133,956
Cash provided by operating activities	<u>7,590,559</u>	<u>6,050,303</u>
Capital activities:		
Acquisition of tangible capital assets	(2,879,884)	(3,043,104)
Proceeds on disposal of tangible capital assets	4,802	-
Cash applied to capital activities	<u>(2,875,082)</u>	<u>(3,043,104)</u>
Investing activities:		
Purchase of investments	(10,137,205)	(10,708,323)
Redemption of investments	5,816,380	11,019,993
Cash provided by investing activities	<u>(4,320,825)</u>	<u>311,670</u>
Financing activities:		
Issuance of long-term debt	-	1,250,000
Repayment of long-term debt	(1,116,873)	(1,388,333)
Cash applied to financing activities	<u>(1,116,873)</u>	<u>(138,333)</u>
(Decrease) increase in cash	(722,221)	3,180,536
Cash (bank indebtedness), beginning of year	2,948,237	(232,299)
Cash, end of year	\$ 2,226,016	\$ 2,948,237

See accompanying notes to consolidated financial statements.

TOWN OF HINTON

Notes to Consolidated Financial Statements

Year ended December 31, 2020

1. Significant accounting policies:

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

(a) Reporting entity:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town 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.

(ii) West Yellowhead Regional Waste Management Authority:

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, revenue and expenses are included in the consolidated financial statements.

(iii) Accounting for school board and housing management body transactions:

Taxes levied include requisitions for the Alberta School Fund Foundation and The Evergreens Foundation. The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Alberta School Fund Foundation and Evergreens Seniors Foundation are not reflected in these consolidated financial statements.

(iv) Trust funds:

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 for revenues and expenses. Revenues are accounted for in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipts of goods and services and/or the creation of a legal obligation to pay.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

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

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) Government transfers:

Government transfers are recognized as revenue in the year in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. A transfer with or without eligibility criteria but stipulation is recognized in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

(d) Tax revenue:

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(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.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) Prepaid local improvement charges:

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 collectible from property owners for work performed by the Town.

Where a property owner has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue as the expenses are incurred to complete the project.

(g) 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.

(h) Investments:

Investments are recorded at amortized cost. Premiums and discounts arising on the purchase of these investments 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.

(i) Landfill closure and post-closure liability:

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(j) Contaminated sites liability:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance, and monitoring.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(k) 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 ordinary course of operations.

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 costs, less residual value, of tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

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

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) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

iv) 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.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

v) Inventory for consumption:

Inventory for consumption is recorded at the lower of cost and replacement cost. Cost is determined by the first-in, first-out method.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Significant estimates include assumptions used in estimating the provisions for uncollectible accounts receivable, assumptions related to recording accrued liabilities, useful lives of tangible capital assets and fair value of contributed tangible capital assets. Actual results could differ from those estimates.

(m) Future accounting standard pronouncements:

The following summarizes upcoming changes to PSAS. In 2021, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently. The requirements in PS1201 *Financial Statement Presentation*, PS3450 *Financial Instruments*, PS2601 *Foreign Currency Translation* and PS3041 *Portfolio Investments* must be implemented at the same time.

Public Sector Accounting Standards	Effective date for fiscal periods beginning on or after
PS1201 Financial Statement Presentation	April 1, 2022
PS3450 Financial Instruments	April 1, 2022
PS2601 Foreign Currency Translation	April 1, 2022
PS3041 Portfolio Investments	April 1, 2022
PS3280 Asset Retirement Obligations	April 1, 2022
PS3400 Revenue	April 1, 2023
PSG-8 Purchased Intangibles	April 1, 2023

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

2. Taxes and grants in place of taxes:

	2020	2019
Current taxes and grants in place of taxes	\$ 578,560	\$ 506,038
Tax arrears	88,553	91,716
	<hr/> \$ 667,113	<hr/> \$ 597,754

3. Trade and other receivables:

	2020	2019
Due from other governments	\$ 719,639	\$ 1,252,591
Trade accounts receivable	982,692	1,187,817
Utilities receivable	470,573	492,924
GST receivable	148,286	477,632
Allowance for doubtful accounts	(33,513)	(33,513)
	<hr/> \$ 2,287,677	<hr/> \$ 3,377,451

4. Loan receivable:

In prior years, the Town guaranteed a loan for the Hinton Golfing Society (the "Society") to construct a new club house and consolidate an existing loan. In 2017, the Town entered into a new long-term debt agreement for \$1,500,000 on behalf of the Society and transferred the full amount of funding to the Society. The Society then repaid the previously guaranteed loan. In 2020, the Society and the Town entered into an asset acquisition agreement, whereby the Town acquired certain assets from the Society, in exchange for the settlement of the outstanding balance on the loan of \$1,350,000. As part of this agreement, the Town loaned the Society an additional \$250,000, repayable in annual instalments of \$50,000 on October 31.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

5. Investments:

	2020	2019
Demand notice savings deposits	\$ 13,039,970	\$ 8,722,171
Other investments	321,795	318,769
	<hr/> \$ 13,361,765	<hr/> \$ 9,040,940

Demand notice savings deposits have effective interest rates ranging from 1.45% to 2.45% (2019 - 2.40 to 2.50%) and require 31 to 90 days (2019 - 31 to 90 days) notice prior to withdrawal.

6. Deferred revenue:

	2020	2019
Operating government transfers:		
Fire Smart	\$ 119,000	\$ -
Municipal Internship	21,790	-
Fire Services Training	12,504	-
Community and Regional Economic Support	11,538	-
Big Mountain / Coalspur	5,000	-
Travel Alberta	4,250	-
Kid's Can Catch	840	-
Municipal Sustainability Initiative	-	80,085
Parent Link Centre	-	49,788
Alberta CARES	-	11,538
	<hr/> 174,922	<hr/> 141,411
Capital government transfers:		
Municipal Sustainability Initiative	1,461,601	743,845
Federal Gas Tax grant	374,190	-
Trans-Mountain	250,000	-
Municipal Stimulus Program	150,000	-
	<hr/> 2,235,791	<hr/> 743,845
	<hr/> \$ 2,410,713	<hr/> \$ 885,256

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

7. Long-term debt:

	2020	2019
Tax supported debt	\$ 3,166,756	\$ 4,184,602
Self-supported debt	1,327,471	1,426,498
	\$ 4,494,227	\$ 5,611,100

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2021	\$ 1,022,535	\$ 162,754	\$ 1,185,289
2022	572,149	130,303	702,452
2023	423,876	107,212	531,088
2024	442,574	86,714	529,288
2025	464,199	65,089	529,288
Thereafter	1,568,894	183,750	1,752,644
	\$ 4,494,227	\$ 735,822	\$ 5,230,049

Tax supported debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.23% to 6.63% per annum and matures in June 2021 through to January 2034.

Self-supported debt includes the amounts due to the Canada Mortgage and Housing Corporation that bear interest at rates of 1.43% to 8.25%, mature in January 2022 through to December 2026, and are repayable in annual instalments of \$13,203 and monthly instalments of \$503 respectively.

Self-supported debt also includes a debenture due to ATB that bears 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.

Debt is issued on the credit and security of the Town at large. The Town's total cash payments for the interest in 2020 were \$222,105 (2019 - \$243,035).

The Town has established an operating line of credit up to \$1,336,891 (2019 - \$1,336,891) and has a letter of credit in the amount of \$663,109 (2019 - \$663,109). The Town has not drawn against these facilities as at December 31, 2020. The operating line of credit is secured by borrowing bylaws. Outstanding amounts bear interest at prime minus 0.25%.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

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:

	2020	2019
Total debt limit	\$ 41,615,642	\$ 45,265,170
Total debt	(4,494,227)	(5,611,100)
<hr/>		
Amount of debt limit unused	<u>\$ 37,121,415</u>	<u>\$ 39,654,070</u>
<hr/>		
Debt servicing limit	\$ 6,935,940	\$ 7,544,195
Debt servicing	(1,317,188)	(1,584,458)
<hr/>		
Amount of debt servicing limit unused	<u>\$ 5,618,752</u>	<u>\$ 5,959,737</u>

The debt limit is calculated at 1.5 times revenue of the Town (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 that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

9. Landfill closure and post closure liability:

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 3.16 million cubic metres. The estimated remaining capacity of the landfill site is 2.410 million (2019 - 2.435 million) cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2085.

Assets have been designated for settling closure and post-closure liabilities (note 10).

Key assumptions in determining the liability at December 31, 2020 for the landfill are as follow:

Estimated closure costs	\$1,942,379
Estimated post-closure costs	\$570,625
Inflation rate	0.72%
Discount rate	2.95%

	2020	2019
Estimated closure costs	\$ 1,942,379	\$ 1,199,561
Estimated post-closure costs	570,625	472,048
Estimated capacity remaining	78.00	78.81
Portion of total liability remaining to be recognized	1,960,044	1,317,438
Estimated capacity used	22.00	21.19%
 Closure and post closure liability	 552,960	 354,171
Town's 25% proportionate share	\$ 138,240	\$ 88,543

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

10. Accumulated surplus:

	2020	2019
Unrestricted deficiency	\$ (685,231)	\$ (594,923)
Restricted:		
Library	286,190	233,766
Housing	133,907	233,377
Operating - project requests	145,422	507,007
Operating - other	17,257	13,106
Automated traffic enforcement	721,562	1,049,533
Equipment and fleet	782,681	1,596,465
Facilities and components	678,417	222,942
Fire department	504,843	504,321
Recreation centre construction	482,771	240,000
Information technology	208,791	147,093
Emergency response	700,000	-
Municipal reserve	934,185	923,524
New infrastructure	1,627,003	1,624,073
Offsite levy fund	1,991,266	1,991,266
Parks and trails infrastructure	297,850	215,031
Roads and sidewalks	73,451	303,041
Water and sewer	2,796,577	1,896,989
Other capital	338,490	366,905
West Yellowhead Regional Waste Management Authority	693,198	484,097
Equity in tangible capital assets	149,486,250	149,024,091
	\$ 162,214,880	\$ 160,981,704

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

11. West Yellowhead Regional Waste Management Authority:

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 (the "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 the Authority partnership of which 25% has been proportionately consolidated in the financial statements of the Town:

	2020	2019
Financial Position:		
Financial assets	\$ 3,422,734	\$ 2,412,500
Liabilities	646,739	476,111
Net financial assets	2,775,995	1,936,389
Non-financial assets	3,479,633	3,836,763
Accumulated surplus	6,255,628	5,773,152
Operations:		
Revenue	2,149,202	1,960,484
Expenses	1,666,726	1,517,801
Annual surplus	482,476	442,683
Accumulated surplus, opening	5,773,152	5,330,469
Accumulated surplus, closing	\$ 6,255,628	\$ 5,773,152

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

12. Salary and benefits disclosure:

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

	Salary (note 12(a))	Benefits(note 12(b))	2020 Total	2019 Total
M. Michaels	\$ 75,225	\$ 3,876	\$ 79,101	\$ 82,359
J. Race	31,350	1,870	33,220	37,222
D. Nelson	28,950	1,712	30,662	36,112
T. Haas	32,575	1,950	34,525	35,742
A. Ostashek	29,225	1,731	30,956	34,633
T. Waugh	31,600	1,886	33,486	33,973
R. Maguhn	27,600	1,624	29,224	32,520
M. Taylor	-	-	-	450,687
E. Olsen	180,597	35,642	216,239	8,076
	\$ 437,122	\$ 50,291	\$ 487,413	\$ 751,324

- a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- b) Benefits include the 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 membership and tuition.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

13. 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 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% (2019 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2019 - 13.84%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% (2019 - 8.39%) of pensionable salary up to the year's maximum pensionable salary and 12.84% (2019 - 12.84%) on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2020 were \$788,343 (2019 - \$763,222). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2020 were \$714,195 (2019 - \$690,577).

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.

14. Contingencies and guarantees:

The Town is a member of the Alberta Local Authorities Reciprocal Insurance Exchange and 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 has been named as a co-defendant in a legal action claiming damages. At this time, the final outcome with respect to the claim is indeterminable. Town management is of the opinion that there is a strong defense against the claim. Accordingly, no provision for losses has been reflected in the financial statements for this matter.

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 (continued)

Year ended December 31, 2020

15. Financial instruments:

The Town's financial instruments consist of cash, receivables, investments, 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 and grants in place of taxes receivables 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 carrying value of the financial instruments approximates fair value.

16. Segmented disclosure:

The Town 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 consolidated financial statements and subsequently submitted to Alberta Municipal Affairs. For additional information, see Consolidated Schedule 5 - Segmented Disclosure.

(i) Infrastructure services

This service includes maintenance of roads, streets, walks, and lighting, including snow and ice removal as well as public transit. In addition, this service includes buildings and vehicles used by the other services. These costs are allocated out through interdepartmental transfers.

(ii) Parks, recreation and culture

This service comprises of recreation facilities and grounds, parks, trails, sports fields, playgrounds and green spaces.

(iii) Protective services

Protective services include fire and law enforcement. Hinton Fire Rescue provides fire and rescue services. The Town's Peace Officers are responsible for enforcing the Town's bylaws and the RCMP provide law enforcement services.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

16. Segmented disclosure (continued):

(iv) General government

General government includes activities that provide for the overall operation of the Town, which are common to or affect all services provided by the Town, including Council and legislative, general administration, property assessment, taxation administration, licensing, elections, and municipal census.

(v) Environmental services

Environmental Services includes garbage and waste collection operations and water and sewer services.

(vi) Planning and development

Planning and development manages all aspects of land use planning, including long-range forecasting, planning and processing of development permits, and processing compliance certificates.

(vii) Public health and welfare

Included in this service are Family and Community Support Services (FCSS), seniors' programming, community development, youth programs, and cemeteries.

(viii) Library

The library provides information, entertainment, communication, literacy and learning for all members of the community.

17. Approval of financial statements:

The Mayor and Members of Council have approved these financial statements for release on August 24, 2021.

18. Related party transactions:

Related parties include key management personnel of the Town. The Town has defined key management personnel to include those individuals disclosed in Note 12 and Directors of the Town. Transactions with key management personnel primarily consist of compensation related payments and are undertaken on similar terms and conditions to those that would be adopted if the parties were dealing at arm's length.

TOWN OF HINTON

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2020

19. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Town has experienced the following financial implications in relation to the pandemic:

- Development of an Emergency Operations Centre;
- Temporary closure of all recreational facilities and administrative buildings;
- Enablement of work-from-home requirements for those able to do so;
- Layoffs of certain staff and enhanced restrictions on discretionary spend;
- Cancellation and postponement of events; and
- Deferral of payments and penalties for property taxes until August 31, 2020.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the Town in the future. On May 5, 2020, the Town approved the re-opening plan. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Town is not known at this time.

20. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year surplus.

TOWN OF HINTON

Consolidated Schedule 1 - Tangible Capital Assets

Year ended December 31, 2020, with comparative information for 2019

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	2020	2019
Cost:									
Balance, beginning of year	\$ 19,378,548	\$ 15,821,642	\$ 45,379,426	\$ 152,489,838	\$ 8,586,745	\$ 5,135,133	\$ 533,124	\$ 247,324,456	\$ 244,281,352
Construction in progress	-	-	1,136,176	36,720	80,927	-	897,834	2,151,657	-
Acquisition of tangible capital assets	152,342	87,650	52,214	799,027	820,867	166,418	-	2,078,518	3,043,104
Disposals of tangible capital assets	-	-	-	-	-	(119,417)	-	(119,417)	-
Balance, end of year	19,530,890	15,909,292	46,567,816	153,325,585	9,488,539	5,182,134	1,430,958	251,435,214	247,324,456
Accumulated amortization:									
Balance, beginning of year	-	9,459,685	17,979,915	58,794,481	5,804,701	2,000,680	-	94,039,462	89,328,676
Amortization of tangible capital assets	-	598,162	1,183,929	2,375,781	358,738	281,094	-	4,797,704	4,710,786
Disposals of tangible capital assets	-	-	-	-	-	(113,814)	-	(113,814)	-
Balance, end of year	-	10,057,847	19,163,844	61,170,262	6,163,439	2,167,960	-	98,723,352	94,039,462
Net book value of tangible capital assets	\$ 19,530,890	\$ 5,851,445	\$ 27,403,972	\$ 92,155,323	\$ 3,325,100	\$ 3,014,174	\$ 1,430,958	\$ 152,711,862	\$ 153,284,994

TOWN OF HINTON

Consolidated Schedule 2 - Expenses by Object

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Salaries, wages and benefits	\$ 12,348,785	\$ 10,977,224	\$ 11,947,701
Contracted and general services	7,345,251	6,613,243	7,370,343
Materials, goods, supplies and utilities	4,370,376	3,878,959	5,872,498
Amortization of tangible capital assets	4,716,787	4,797,412	4,710,786
Transfers to other governments and organizations	454,810	353,165	837,779
Interest on long-term debt	243,035	222,105	196,125
Bank charges and short-term interest	25,739	13,644	28,332
	<hr/> \$ 29,504,783	<hr/> \$ 26,855,752	<hr/> \$ 30,963,564

TOWN OF HINTON

Consolidated Schedule 3 - Net Municipal Taxes

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Taxes			
Real property taxes	\$ 17,834,424	\$ 17,979,792	\$ 17,738,058
Linear property taxes	344,109	383,802	436,177
Government grants in place of property taxes	69,000	71,667	91,516
Designated industrial taxes	-	-	-
Special assessments and local improvement taxes	-	-	-
	18,247,533	18,435,261	18,265,751
Less: Requisitions			
Alberta School Foundation Fund	4,316,136	4,569,238	4,350,768
The Evergreens Foundation	820,443	810,443	779,292
	5,136,579	5,379,681	5,130,060
Net municipal taxes	\$ 13,110,954	\$ 13,055,580	\$ 13,135,691

TOWN OF HINTON

Consolidated Schedule 4 - Government Transfers

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Transfers for operating			
Federal	\$ -	\$ -	\$ -
Provincial	1,136,726	2,238,154	3,635,459
<u>Local</u>	<u>2,753,801</u>	<u>2,800,251</u>	<u>2,500,134</u>
	3,890,527	5,038,405	6,135,593
Transfers for capital			
Federal	1,405,882	-	1,865,343
Provincial	1,958,958	345,968	1,223,566
<u>Local</u>	<u>-</u>	<u>-</u>	<u>-</u>
	3,364,840	345,968	3,088,909
Total government transfers	\$ 7,255,367	\$ 5,384,373	\$ 9,224,502

TOWN OF HINTON

Consolidated Schedule 5 - Segmented Disclosure

Year ended December 31, 2020, with comparative information for 2019

	Infrastructure services	Parks, recreation and culture	Protective services	General government	Environmental services	Planning and development	Public health and welfare	Library	2020	2019
Revenue										
Net municipal taxes	\$ -	\$ -	\$ -	\$ 13,055,580	\$ -	\$ -	\$ -	\$ -	\$ 13,055,580	\$ 13,135,691
User fees and sales of goods	13,647	310,924	73,704	27,407	6,094,223	4,370	138,861	5,486	6,668,622	7,258,566
Government transfers for operating	-	185,354	1,030,785	3,326,865	-	193,819	210,389	91,193	5,038,405	6,135,593
Franchise fees	-	-	-	1,681,427	-	-	-	-	1,681,427	1,670,137
Fines	-	-	269,037	-	-	-	-	-	269,037	620,523
Rentals	-	81,197	109,617	271,052	-	33,980	30,925	-	526,771	589,649
Penalties and costs on taxes	-	-	-	141,709	24,303	-	-	-	166,012	189,272
Investment income	-	-	-	148,118	-	-	-	125	148,243	263,316
Licenses and permits	-	-	5,649	-	-	147,359	-	-	153,008	133,153
Other	501	19,281	1,031	13,926	(31,025)	85	32,635	223	36,657	162,470
Development levies	-	-	-	-	-	-	-	-	-	18,411
	14,148	596,756	1,489,823	18,666,084	6,087,501	379,613	412,810	97,027	27,743,762	30,176,781
Expenses										
Salaries, wages and benefits	2,543,243	1,964,059	1,226,626	2,239,719	557,777	827,228	1,195,189	423,383	10,977,224	11,947,701
Contracted and general services	711,385	92,255	2,758,523	687,797	1,597,784	498,338	182,943	84,218	6,613,243	7,370,343
Amortization of tangible capital assets	3,036,032	355,679	91,846	23,694	1,229,887	47,019	6,103	7,152	4,797,412	4,710,786
Materials, goods, supplies, and utilities	1,984,405	163,652	625,221	273,173	434,906	273,106	45,357	79,139	3,878,959	5,872,498
governments and organizations	-	-	1,290	349,126	-	2,749	-	-	353,165	837,778
Interest on long-term debt	155,811	15,792	-	-	14,404	36,098	-	-	222,105	196,125
Bank charges and short-term interest	-	9,320	517	1,044	-	244	1,915	604	13,644	28,333
	8,430,876	2,600,757	4,704,023	3,574,553	3,834,758	1,684,782	1,431,507	594,496	26,855,752	30,963,564
Excess (deficiency) of revenue over expenses before the undernoted:	(8,416,728)	(2,004,001)	(3,214,200)	15,091,531	2,252,743	(1,305,169)	(1,018,697)	(497,469)	888,010	(786,783)
Capital revenue (expenses):										
Government transfers for capital	-	4,641	-	-	242,085	99,242	-	-	345,968	3,088,909
Gain (loss) on disposal of capital	(802)	-	-	-	-	-	-	-	(802)	-
	(802)	4,641	-	-	242,085	99,242	-	-	345,166	3,088,909
Annual surplus (deficiency)	\$ (8,417,530)	\$ (1,999,360)	\$ (3,214,200)	\$ 15,091,531	\$ 2,494,828	\$ (1,205,927)	\$ (1,018,697)	\$ (497,469)	\$ 1,233,176	\$ 2,302,126