

**TOWN OF HARDISTY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

## **AUDITOR'S REPORT**

To the Members of Council:

I have audited the consolidated statement of financial position of the Town of Hardisty as at December 31, 2005 and the consolidated statement of financial activities with change in fund balances and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As a result of a breakdown in internal controls and a probable misappropriation of funds, I was unable to confirm or verify by alternative means the collection of accounts receivable and/or recording of revenue in the amount of \$24,639. Accordingly, I was not able to determine whether any adjustments might be necessary to accounts receivable, sales, bad debts and net income.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself with respect to the balance(s) of accounts receivable and revenue described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Hardisty as at December 31, 2005 and the results of its financial activities and the changes in its financial position for the year ended in accordance with Canadian generally accounting principles.

M.D. of Wainwright

March 17, 2006



Certified General Accountant

# TOWN OF HARDISTY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2005

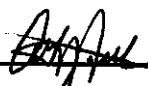
	2005	2004
<b>ASSETS</b>		
<b>Financial Assets</b>		
Cash	80,667	47,316
Term deposits	224,958	107,639
Property taxes receivable (Note 2)	71,750	49,038
Trade accounts receivable	93,167	385,144
Inventory held for resale	-	1,365
Prepaid expenses	15,200	16,110
<b>Total financial assets</b>	<b>485,742</b>	<b>606,612</b>
<b>Capital Assets</b>		
Land	37,325	37,325
Buildings	1,122,882	1,122,882
Distribution system - water	1,966,861	1,948,582
Distribution system - sewer	364,238	357,738
Other engineering structures	2,607,319	2,607,319
Equipment	315,268	313,645
Automotive equipment	440,820	394,820
<b>Total capital assets</b>	<b>6,854,713</b>	<b>6,782,311</b>
<b>Total assets</b>	<b>7,340,455</b>	<b>7,388,923</b>

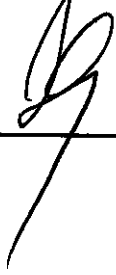
# TOWN OF HARDISTY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2005

	2005	2004
<b>LIABILITIES</b>		
Bank indebtedness (Note 3)	-	114,658
Accounts payable and accrued liabilities	97,895	137,520
Deposits held in trust	3,633	6,950
Deferred revenue (Note 4)	241,924	68,027
Long term debt (Note 5)	659,693	716,368
<b>Total liabilities</b>	<b><u>1,003,145</u></b>	<b><u>1,043,523</u></b>
<b>MUNICIPAL EQUITY</b>		
Fund Balances		
Accumulated surplus	(42,290)	-
Reserves (Note 6)	184,580	279,457
Total fund Balances	<u>142,290</u>	<u>279,457</u>
Equity in capital assets	6,195,020	6,065,943
	<u>6,337,310</u>	<u>6,345,400</u>
<b>Total Liabilities and Municipal Equity</b>	<b><u>7,340,455</u></b>	<b><u>7,388,923</u></b>

Signed on behalf of the municipality:

  
\_\_\_\_\_ MAYOR

  
\_\_\_\_\_ CHIEF ADMINISTRATIVE OFFICER

# TOWN OF HARDISTY

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	2005	2004
<b>Revenues</b>			
Net municipal property taxes (Schedule 5)	478,484	481,119	430,769
User fees and sales of goods	331,560	331,674	266,255
Penalties and costs on taxes	17,000	16,086	18,165
Licenses and permits	4,800	4,860	5,613
Fines	8,000	4,516	7,824
Franchise and concession contracts	30,364	35,565	31,778
Return on investments	5,000	3,512	5,755
Rentals	26,280	17,518	25,941
Government transfers	266,908	113,781	688,585
Local improvement levy	3,954	3,954	3,954
Other	43,790	44,940	47,162
	<u>1,216,140</u>	<u>1,057,525</u>	<u>1,531,801</u>
<b>Operating expenditures</b>			
Council and general administrative	280,261	337,481	221,763
Protective services	66,529	72,198	63,572
Transportation	230,095	225,013	204,405
Environmental use and protection	218,606	196,269	191,781
Public health and welfare	14,260	40,001	33,081
Planning and development	7,057	7,208	13,165
Recreation and culture	175,339	187,445	113,633
	<u>992,147</u>	<u>1,065,615</u>	<u>841,400</u>
<b>Capital expenditures</b>			
Protective services	-	25,000	-
Transportation	196,740	21,000	146,427
Environmental use and protection	-	26,402	716,298
Recreation and culture	9,000	-	-
	<u>205,740</u>	<u>72,402</u>	<u>862,725</u>
<b>Total expenditures</b>	<u>1,197,887</u>	<u>1,138,017</u>	<u>1,704,125</u>
<b>Excess (deficit) of revenues over expenditures</b>	18,253	(80,492)	(172,324)
Less: Transfers (to) from reserves	38,420	94,877	2,073
Debenture issued	-	-	218,793
Debt repayment	(56,673)	(56,675)	(48,542)
<b>Increase (decrease) in accumulated surplus</b>	<u>-</u>	<u>(42,290)</u>	<u>-</u>

# TOWN OF HARDISTY

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
<b>Operations</b>		
Excess (deficit) of revenues over expenditures	(80,492)	(172,324)
Decrease (increase) in property taxes receivable	(22,712)	8,175
Decrease (increase) in trade accounts receivable	291,977	(228,662)
Decrease (increase) in receivable from committee	-	20,000
Decrease (increase) in inventory	1,365	-
Increase (decrease) in accounts payable and accrued liabilities	(39,625)	65,908
Increase (decrease) in deposits held in trust	(3,317)	2,696
Increase (decrease) in deferred revenue	173,897	8,462
Increase (decrease) in prepaid expenses	910	-
Net cash (used for) from operations	<u>322,003</u>	<u>(295,745)</u>
<b>Investing</b>		
Decrease (increase) in term deposits	(117,319)	96,343
Net cash (used for) from investing	<u>(117,319)</u>	<u>96,343</u>
<b>Financing</b>		
New debt issued	-	218,793
Long-term debt repaid	(56,675)	(48,542)
Net cash (used for) from financing	<u>(56,675)</u>	<u>170,251</u>
Increase (decrease) in cash and cash equivalents	148,009	(29,151)
Cash and temporary investments at beginning of year	(67,342)	(38,191)
Cash and temporary investments at end of year	<u>80,667</u>	<u>(67,342)</u>
<b>Cash is comprised of:</b>		
Bank indebtedness	-	(114,658)
Cash in bank	80,467	47,166
Cash on hand	200	150
	<u>80,667</u>	<u>(67,342)</u>

# TOWN OF HARDISTY

## SCHEDULE OF OPERATING FUND FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2005 (Schedule 1)

	Budget	2005	2004
<b>Revenues</b>			
Net municipal property taxes (Schedule 5)	478,484	481,119	430,769
User fees and sales of goods	331,560	331,674	266,255
Penalties and costs on taxes	17,000	16,086	18,165
Licenses and permits	4,800	4,860	5,613
Fines	8,000	4,516	7,824
Franchise and concession contracts	30,364	35,565	31,778
Return on investments	5,000	3,512	5,755
Rentals	26,280	17,518	25,941
Government transfers	81,213	98,921	153,552
Local improvement levy	3,954	3,954	3,954
Other	43,790	19,940	47,162
	<u>1,030,445</u>	<u>1,017,665</u>	<u>996,768</u>
<b>Expenditures</b>			
Council and general administrative	280,261	337,481	221,763
Protective services	66,529	72,198	63,572
Transportation	230,095	225,013	204,405
Environmental use and protection	218,606	196,269	191,781
Public health and welfare	14,260	40,001	33,081
Planning and development	7,057	7,208	13,165
Recreation and culture	175,339	187,445	113,633
	<u>992,147</u>	<u>1,065,615</u>	<u>841,400</u>
Excess (deficiency) of revenue over expenditures	38,298	(47,950)	155,368
<b>Net inter-fund transfers</b>			
Transfers (to) from capital fund (Schedule 2)	18,375	65,541	(106,826)
Transfers (to) from reserve fund (Schedule 3)	-	(3,206)	-
Capital debt repaid (Schedule 4)	(56,673)	(56,675)	(48,542)
Change in operating fund balance	-	(42,290)	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>-</u>	<u>(42,290)</u>	<u>-</u>

# TOWN OF HARDISTY

## SCHEDULE OF CAPITAL FUND FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2005 (Schedule 2)

	Budget	2005	2004
<b>Revenues</b>			
Government transfers	185,695	14,860	535,033
Other	-	25,000	-
	<u>185,695</u>	<u>39,860</u>	<u>535,033</u>
<b>Expenditures</b>			
Protective services	-	25,000	-
Transportation	196,740	21,000	146,427
Environmental use and protection	-	26,402	716,298
Recreation and culture	9,000	-	-
	<u>205,740</u>	<u>72,402</u>	<u>862,725</u>
Excess (deficiency) of revenue over expenditures	(20,045)	(32,542)	(327,692)
<b>Net inter-fund transfers</b>			
Transfers (to) from operating fund (Schedule 1)	(18,375)	(65,541)	106,826
Transfers (to) from reserve fund (Schedule 3)	38,420	98,083	2,073
Capital debt issued (Schedule 4)	-	-	218,793
	<u>-</u>	<u>-</u>	<u>218,793</u>
Change in capital fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>



# TOWN OF HARDISTY

## SCHEDULE OF RESERVE FUND FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2005 (Schedule 3)

	Budget	2005	2004
Net inter-fund transfers			
Transfers (to) from operating fund (Schedule 1)	-	3,206	-
Transfers (to) from capital fund (Schedule 2)	<u>(38,420)</u>	<u>(98,083)</u>	<u>(2,073)</u>
Change in reserve fund balance	(38,420)	(94,877)	(2,073)
Fund balance at beginning of year	<u>279,457</u>	<u>279,457</u>	<u>281,530</u>
Fund balance at end of year	<u>241,037</u>	<u>184,580</u>	<u>279,457</u>

# TOWN OF HARDISTY

## SCHEDULE OF EQUITY IN CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2005 (Schedule 4)

	Budget	2005	2004
Acquisition of capital assets			
Protective services	-	25,000	-
Transportation	196,740	21,000	146,427
Environmental use and protection	-	26,402	716,298
Recreation and culture	9,000	-	-
	<u>205,740</u>	<u>72,402</u>	<u>862,725</u>
Capital financing			
Capital debt issued (Schedule 2)	-	-	(218,793)
Capital debt repaid from operating fund (Schedule 1)	56,673	56,675	48,542
	<u>56,673</u>	<u>56,675</u>	<u>(170,251)</u>
Change in equity balance	262,413	129,077	692,474
Equity Balance at beginning of year	<u>6,065,943</u>	<u>6,065,943</u>	<u>5,373,469</u>
Equity balance at end of year	<u>6,328,356</u>	<u>6,195,020</u>	<u>6,065,943</u>

# TOWN OF HARDISTY

## SCHEDULE OF PROPERTY TAXES LEVIED AND GENERAL REVENUE FOR THE YEAR ENDED DECEMBER 31, 2005 (Schedule 5)

	Budget	2005	2004
<b>OPERATIONS</b>			
Taxation			
Property tax levy	<u>676,092</u>	<u>678,727</u>	<u>639,137</u>
Requisitions			
Alberta School Foundation	188,659	<b>188,659</b>	198,869
Flagstaff lodge requisition	<u>8,949</u>	<u>8,949</u>	<u>9,499</u>
	<u>197,608</u>	<u>197,608</u>	<u>208,368</u>
Net municipal property taxes	<u>478,484</u>	<u>481,119</u>	<u>430,769</u>
General revenue			
Rentals	7,800	-	7,800
Government transfers	2,094	<b>5,094</b>	6,094
Investment income	5,000	<b>3,512</b>	5,755
Penalties on taxes and utilities	17,000	<b>16,086</b>	18,165
Fines	5,000	<b>3,545</b>	4,619
Franchise and concession contracts	30,364	<b>35,565</b>	31,778
Other	-	-	-
	<u>67,258</u>	<u>63,802</u>	<u>74,211</u>
Net municipal property taxes and general revenue	<u>545,742</u>	<u>544,921</u>	<u>504,980</u>
<b>CAPITAL</b>			
Transfer to (from) reserves	<u>-</u>	<u>-</u>	<u>(2,073)</u>
Excess of revenues over expenditures	<u>545,742</u>	<u>544,921</u>	<u>507,053</u>

# TOWN OF HARDISTY

## SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2005 (Schedule 6)

	Budget	2005	2004
<b>Federal transfers</b>			
Shared-cost agreements and grants	<u>-</u>	<u>1,000</u>	<u>-</u>
<b>Provincial transfers</b>			
Entitlements	10,094	10,094	10,094
Shared-cost agreements and grants	<u>202,689</u>	<u>48,319</u>	<u>624,180</u>
	<u>212,783</u>	<u>58,413</u>	<u>634,274</u>
<b>Local government transfers</b>			
Shared-cost agreements and grants	<u>54,125</u>	<u>54,368</u>	<u>54,311</u>
<b>Total government transfers</b>	<u>266,908</u>	<u>113,781</u>	<u>688,585</u>

# TOWN OF HARDISTY

## SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2005 (Schedule 7)

<b>Expenditures</b>	<b>Budget</b>	<b>2005</b>	<b>2004</b>
Salaries, wages and benefits	337,966	<b>331,881</b>	259,429
Contracted and general services	314,784	<b>339,556</b>	280,771
Materials, goods and utilities	165,155	<b>171,827</b>	152,330
Provision for allowances	500	<b>1,823</b>	1,277
Transfers to local boards and agencies	95,525	<b>123,693</b>	74,399
Transfers to individuals and organizations	2,067	<b>7,750</b>	9,053
Bank charges and short term interest	1,000	<b>1,671</b>	789
Interest on long term debt	54,683	<b>54,382</b>	57,038
Other expenditures	20,467	<b>33,032</b>	6,314
	<u>992,147</u>	<u><b>1,065,615</b></u>	<u>841,400</u>

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

---

### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Hardisty are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town of Hardisty are as follows:

#### a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the town are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

#### b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

#### c) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from land sales are recorded as operating fund revenues.

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

---

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d) Pension Expenditure

The Town participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

#### e) Investments

Investments are recorded at cost.

#### e) Inventories

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

#### f) Capital Assets

Capital assets are reported as expenditures in the period they are acquired. Capital assets are reported at cost except for donated assets, which are reported at estimated fair value.

Government contributions for the acquisition of capital assets are reported as capital revenue and do not reduce the related capital asset costs.

Capital assets for government purposes are not amortized.

#### g) Reserves for Future Expenditures

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

#### h) Equity in Capital Assets

Equity in capital assets represents the town's net investment in its total capital assets after deducting work in progress, the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowings, capitalized leases and other capital liabilities.

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### i) Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual 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 taxes.

#### j) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

### 2. TAXES AND GRANTS IN LIEU RECEIVABLE

All of the current year taxes and grants in lieu receivable are considered to be collectible.

### 3. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft of \$300,000 bearing interest at prime and is secured by a borrowing resolution authorizing the overdraft.

### 4. DEFERRED INCOME

Deferred income consists of the following:

	<u>2005</u>	<u>2004</u>
Street Improvement Program	73,960	24,955
Alberta Municipal Infrastructure Program	142,433	-
Town sign	-	3,000
Community Facility Enhancement Program - Cemetery upgrades	8,384	25,307
Cemetery upgrade donations	13,110	11,308
Prepaid property taxes	4,037	3,457
	<u>241,924</u>	<u>68,027</u>



# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

### 5. LONG TERM DEBT

	<u>2005</u>	<u>2004</u>
Tax supported debentures	623,672	680,347
Long term creditor	36,021	36,021
	<u>659,693</u>	<u>716,368</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	74,053	51,277	125,330
2007	65,929	45,376	111,305
2008	71,045	40,260	111,305
2009	64,662	34,636	99,298
2010	70,847	28,452	99,299
Thereafter	313,157	93,045	406,202
	<u>659,693</u>	<u>293,046</u>	<u>952,739</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 4.795% to 11.5% per annum, and mature in periods 2006 through 2024. The weighted average annual interest rate is 8.235% (2004 - 8.338%). Debenture debt is issued on the credit and security of the Town of Hardisty at large.

Long term creditor is a credit arrangement with one of the subcontractors of the Parkview Subdivision, the credit is repayable in equal annual instalments without interest over a period of three years and is secured on the credit of the Town of Hardisty at large.

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

### 6. RESERVES

Reserves for operating and capital activities have changed as follows:

	<u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>2005</u>
<b>Operating reserves</b>				
Cemetery	50	-	-	50
Community hall	6,000	3,206	-	9,206
Elk's playground	33	-	-	33
Park	1,803	-	-	1,803
Devonian park	1,000	-	-	1,000
	<u>8,886</u>	<u>3,206</u>	<u>-</u>	<u>12,092</u>
<b>Capital reserves</b>				
Office and administration	-	1,500	1,500	-
Fire department	35,660	10,000	10,000	35,660
Public works	25,745	5,000	22,000	8,745
Streets and roads	34,200	5,000	5,000	34,200
Water	20,000	10,000	10,000	20,000
Water resource development	20,000	-	-	20,000
Physician recruitment	53,160	-	-	53,160
Recreation	24,649	-	24,649	-
Organ fund	723	-	-	723
General	56,434	-	56,434	-
	<u>270,571</u>	<u>31,500</u>	<u>129,583</u>	<u>172,488</u>
	<u>279,457</u>	<u>34,706</u>	<u>129,583</u>	<u>184,580</u>

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

### 7. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer as required by Alberta Regulation 379/94 is as follows:

	2005			2004
	Salary	Benefits & Allowances	Total	Total
Buelow	4,650	904	5,554	5,620
Calliau	5,160	632	5,792	2,070
Drozdzowski	-	-	-	4,071
Fossum	5,040	767	5,807	1,627
Gaetzman	-	-	-	2,910
Golka	-	-	-	2,821
Huard	300	207	507	4,735
Nelson	-	-	-	2,905
Manning	3,960	925	4,885	1,895
Miller	7,184	453	7,637	2,150
Pioker	5,340	1,098	6,438	1,845
Strunk	2,970	-	2,970	-
Zeigler	-	-	-	3,603
Delegate's	120	327	447	264
CAO(s) and acting CAO	134,997	8,432	143,429	67,740

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.

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

---

### 8. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Hardisty participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 133,000 people and 389 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The town is required to make current service contributions to the LAPP of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the town are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

Total current service contributions by the town to the LAPP in 2005 were \$9,455 (2004 - \$10,373). Total current service contributions by the employees of the town to the LAPP in 2005 were \$8,211 (2004 - \$8,858).

At December 31, 2004, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

### 9. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Hardisty be disclosed as follows:

	<u>2005</u>	<u>2004</u>
Total debt limit	1,563,997	1,394,544
Total debt	659,693	831,026
Surplus debt limit	<u>904,304</u>	<u>563,518</u>
Debt servicing limit	260,666	232,424
Debt servicing	125,330	233,984
Surplus debt servicing	<u>135,336</u>	<u>(1,560)</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

# TOWN OF HARDISTY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

---

### 10. CONTINGENCIES

The town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

As a result of a breakdown in internal controls, it was discovered that one or more of the staff may have been misappropriating funds from the town. As a result of this probable misappropriation, council and management are seeking legal advice on how to proceed to recover the funds that may have been misappropriated and if any criminal charges can or will be laid. As the amount of the probable misappropriation can not be readily determined, no amount has been reflected in the financial statement as recoverable or collectible. When council and management determines if any amount is recoverable or collectible from the parties involved, the amount will be included in income. As at the date of the audit, council and management are taking appropriate measures to restore internal controls to a satisfactory level.

### 11. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the town is not exposed to significant interest, currency or credit risk arising from these financial statements.

The town is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

### 12. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.