

**TOWN OF SWAN HILLS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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FOR THE YEAR ENDED DECEMBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

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**To the Members of Council  
Town of Swan Hills**

### **Opinion**

We have audited the consolidated financial statements of Town of Swan Hills (the Entity), which comprises the consolidated statement of financial position as at December 31, 2022, and the results of its operations, changes in its net financial assets (debt) 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 Town of Swan Hills as at December 31, 2022, the results of its operations, change in its net financial assets (debt) 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 these standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 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 these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. 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 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.

### **Auditor's Responsibility for the Audit of the Consolidated 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 auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 and conditions that may cause 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 auditor's 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 auditor's report. However, future events or conditions may cause the Entity 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.
  - We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. 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.
  - We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements.

#### **Report on Other Legal and Regulatory Requirements**

**Debt Limit Regulation:** In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Schedule 10.

**Supplementary Accounting Principles and Standards Regulation:** In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standard Regulation and note the information required can be found in Schedule 7.

The engagement partner on the audit resulting in this independent auditor's report is: Wayne Ellerington

**Town of Swan Hills**  
March 7, 2023

**CHARTERED PROFESSIONAL ACCOUNTANTS**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At December 31, 2022

	2022	2021
<b>FINANCIAL ASSETS</b>		
Cash and Temporary Investments (Note 2)	\$ 4,117,237	\$ 3,939,779
Receivables		
Taxes and Grants in Lieu of Taxes (Note 3)	401,968	350,595
Trade and Other Receivables	<u>171,664</u>	<u>234,830</u>
	<u>4,690,869</u>	<u>4,525,204</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	258,729	262,875
Provision for Landfill Closure and Post-Closing Costs (Note 5)	526,024	501,024
Deferred Revenue (Note 4)	481,229	636,624
Long Term Debt (Note 6)	<u>444,769</u>	<u>616,396</u>
	<u>1,710,751</u>	<u>2,016,919</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>2,980,118</u>	<u>2,508,285</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets	20,186,768	20,340,829
Inventory for Consumption	214,500	214,500
Prepaid Expenses	<u>-</u>	<u>-</u>
	<u>20,401,268</u>	<u>20,555,329</u>
<b>ACCUMULATED SURPLUS (Schedules 1 and 9)</b>	<u>\$ 23,381,386</u>	<u>\$ 23,063,614</u>

Contingencies - See Note 10

# CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
<b>REVENUE</b>			
Net Municipal Taxes (Schedule 3)	\$ 1,833,702	\$ 1,845,832	\$ 1,804,563
Sales, User Charges, Franchise & Rentals	770,509	798,678	750,648
Government Transfers for Operating (Sch 4)	1,097,832	1,097,832	1,097,832
Investment Income	58,000	106,544	40,422
Penalties and Costs on Taxes	80,000	63,054	79,198
Franchise and Concession Contracts	<u>256,564</u>	<u>256,564</u>	<u>199,997</u>
<b>TOTAL REVENUE</b>	<u>4,096,607</u>	<u>4,168,504</u>	<u>3,972,660</u>
<b>EXPENSES</b>			
Council and Other Legislative	157,565	155,545	145,103
General Administration	900,159	808,976	797,782
Protective Services	148,946	149,402	131,523
Bylaw Enforcement	157,003	139,730	117,330
Common Services	839,143	908,113	719,149
Roads, Streets, Walks, Lighting	154,300	148,154	137,519
Storm Sewers and Drainage	13,666	10,818	21,124
Water Supply and Distribution	466,458	445,385	417,765
Wastewater Treatment and Disposal	55,884	47,751	49,172
Waste Management	123,036	117,389	137,356
Family and Community Support	64,738	56,227	61,712
Cemeteries	3,000	3,000	10,000
Land Use, Planning, Zoning and Development	7,300	4,147	8,389
Economic Development	46,000	31,404	36,302
Parks and Recreation	570,060	606,546	502,103
Culture: Libraries, Museums, Halls	215,883	167,563	153,652
Amortization Expense	<u>1,080,000</u>	<u>1,084,209</u>	<u>1,093,170</u>
<b>TOTAL EXPENSES</b>	<u>5,003,141</u>	<u>4,884,359</u>	<u>4,539,151</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER OTHER</b>	<u>(906,534)</u>	<u>(715,855)</u>	<u>(566,491)</u>
Government Transfers for Capital	<u>908,373</u>	<u>1,033,627</u>	<u>624,747</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	1,839	317,772	58,256
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>23,063,614</u>	<u>23,063,614</u>	<u>23,005,358</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 23,065,453</u>	<u>\$ 23,381,386</u>	<u>\$ 23,063,614</u>

## CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)

For the Year Ended December 31, 2022

	Budget (Unaudited)	2022	2021
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	\$ <u>1,839</u>	\$ <u>317,772</u>	\$ <u>58,256</u>
Acquisition of Tangible Capital Assets	(1,177,843)	(930,148)	(891,245)
Amortization of Tangible Capital Assets	<u>1,080,000</u>	<u>1,084,209</u>	<u>1,093,170</u>
	(97,843)	154,061	201,925
<b>INCREASE (DECREASE) IN NET DEBT</b>	<u>(96,004)</u>	<u>471,833</u>	<u>260,181</u>
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	<u>2,508,285</u>	<u>2,508,285</u>	<u>2,248,104</u>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	\$ <u>2,412,281</u>	\$ <u>2,980,118</u>	\$ <u>2,508,285</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2022

	2022	2021
<b>OPERATING</b>		
Excess (shortfall) of Revenues over Expenses	\$ 317,772	\$ 58,256
Non-Cash Items Included in Excess (Shortfall) of revenues over Expenses:		
Amortization of Tangible Capital Assets	1,084,209	1,093,170
Non-Cash Charges to Operations (Net Change)		
Decrease (Increase) in Taxes and Grants-in-Lieu Receivable	(51,373)	95,222
Decrease (Increase) in Trade and Other Receivables	63,166	(82,171)
Decrease (Increase) in Prepaid Expenses	-	-
Decrease (Increase) in Land for Resale Inventory	-	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(4,146)	155,598
Increase (Decrease) in Deposit Liabilities	-	-
Increase (Decrease) in Landfill Reclamation Liability	25,000	25,000
Increase (Decrease) in Deferred Revenue	(155,395)	(111,651)
Increase (Decrease) in Other Current Liabilities	-	-
Cash Provided by Operating Transactions	<u>1,279,233</u>	<u>1,233,424</u>
<b>CAPITAL</b>		
Acquisition of Tangible Capital Assets	(930,148)	(891,245)
Cash Provided by (Applied to) Capital Transactions	<u>(930,148)</u>	<u>(891,245)</u>
<b>FINANCING</b>		
Long-Term Debt Repaid	<u>(171,627)</u>	<u>(168,148)</u>
Cash Provided by (Applied to) Financing Transactions	<u>(171,627)</u>	<u>(168,148)</u>
<b>CHANGE IN CASH AND TEMPORARY</b>		
<b>INVESTMENTS DURING THE YEAR</b>	177,458	174,031
<b>CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR</b>	<u>3,939,779</u>	<u>3,765,748</u>
<b>CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)</b>	<u>\$ 4,117,237</u>	<u>\$ 3,939,779</u>



**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**  
**For the Year Ended December 31, 2022**

**Schedule 1**

				2022	2021
	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital assets		
<b>BALANCE, BEGINNING OF YEAR</b>	\$ <u>153,645</u>	\$ <u>3,185,536</u>	\$ <u>19,724,433</u>	\$ <u>23,063,614</u>	\$ <u>23,005,358</u>
Excess of revenue over expenses	317,772	-	-	317,772	58,256
Unrestricted designated for future	(250,000)	250,000	-	-	-
Funds used for tangible capital asset	(930,148)	-	930,148	-	-
Disposal of Annual amortization expense	1,084,209	-	(1,084,209)	-	-
Long-term debt repaid	<u>(171,627)</u>	<u>-</u>	<u>171,627</u>	<u>-</u>	<u>-</u>
Change in Accumulated Surplus	<u>50,206</u>	<u>250,000</u>	<u>17,566</u>	<u>317,772</u>	<u>58,256</u>
<b>BALANCE END OF YEAR</b>	<b>\$ <u>203,851</u></b>	<b>\$ <u>3,435,536</u></b>	<b>\$ <u>19,741,999</u></b>	<b>\$ <u>23,381,386</u></b>	<b>\$ <u>23,063,614</u></b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
For the Year Ended December 31, 2022

**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2022 \$	2021 \$
<b>COST</b>								
BALANCE, BEGINNING OF YEAR	620,477	1,038,640	11,740,911	31,998,579	2,402,139	2,130,329	49,931,075	49,039,830
Acquisition of tangible capital assets	-	-	-	577,375	312,773	40,000	930,148	891,245
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
Write down of tangible Capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	<u>620,477</u>	<u>1,038,640</u>	<u>11,740,911</u>	<u>32,575,954</u>	<u>2,714,912</u>	<u>2,170,329</u>	<u>50,861,223</u>	<u>49,931,075</u>
<b>ACCUMULATED AMORTIZATION</b>								
BALANCE, BEGINNING OF YEAR	-	390,191	6,478,255	19,849,448	1,244,945	1,627,407	29,590,246	28,497,076
Annual amortization	-	66,535	218,460	625,017	97,712	76,485	1,084,209	1,093,170
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	<u>-</u>	<u>456,726</u>	<u>6,696,715</u>	<u>20,474,465</u>	<u>1,342,657</u>	<u>1,703,892</u>	<u>30,674,455</u>	<u>29,590,246</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>620,477</u>	<u>581,914</u>	<u>5,044,196</u>	<u>12,101,489</u>	<u>1,372,255</u>	<u>466,437</u>	<u>20,186,768</u>	<u>20,340,829</u>
<b>2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>								
	<u>620,477</u>	<u>648,449</u>	<u>5,262,656</u>	<u>12,149,131</u>	<u>1,157,194</u>	<u>502,922</u>	<u>20,340,829</u>	

**SCHEDULE OF PROPERTY AND OTHER TAXES**  
**For the Year Ended December 31, 2022**

**Schedule 3**

	Budget (Unaudited)	2022	2021
<b>TAXATION</b>			
Real Property Taxes	\$ 1,869,741	\$ 1,870,347	\$ 1,865,771
Linear Property Taxes	213,355	213,355	200,829
Government Grants in Lieu of Property Taxes	<u>22,175</u>	<u>33,014</u>	<u>27,368</u>
<b>TOTAL TAXATION</b>	<u>\$ 2,105,271</u>	<u>\$ 2,116,716</u>	<u>\$ 2,093,968</u>
<b>REQUISITIONS</b>			
Alberta School Foundation	\$ 260,416	\$ 260,416	\$ 285,433
Barrhead & District Social Housing	10,468	10,468	3,972
Designated Industrial Properties	<u>685</u>	<u>-</u>	<u>-</u>
<b>TOTAL REQUISITIONS</b>	<u>271,569</u>	<u>270,884</u>	<u>289,405</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 1,833,702</u>	<u>\$ 1,845,832</u>	<u>\$ 1,804,563</u>

**SCHEDULE OF GOVERNMENT TRANSFERS**  
**For the Year Ended December 31, 2022**

**Schedule 4**

	Budget (Unaudited)	2022	2021
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	\$ 147,832	\$ 147,832	\$ 147,832
Federal Government	-	-	-
Other Local Government	<u>950,000</u>	<u>950,000</u>	<u>950,000</u>
	<u>\$ 1,097,832</u>	<u>\$ 1,097,832</u>	<u>\$ 1,097,832</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	\$ 408,373	\$ 533,627	\$ 624,747
Other Local Government	<u>500,000</u>	<u>500,000</u>	<u>-</u>
	<u>908,373</u>	<u>1,033,627</u>	<u>624,747</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 2,006,205</u>	<u>\$ 2,131,459</u>	<u>\$ 1,722,579</u>

**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT**  
**For the Year Ended December 31, 2022**

**Schedule 5**

	Budget (Unaudited)	2022	2021
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, Wages and Benefits	\$ 1,776,109	\$ 1,687,823	\$ 1,569,451
Contracted and General Services	938,563	893,795	681,568
Purchases from Other Governments	-	-	-
Materials, Goods, Supplies and Utilities	992,465	999,488	992,242
Provision For Allowances	2,500	16,124	1,216
Transfers to Other Governments	101,303	100,876	91,302
Transfers to Local Boards and Agencies	64,738	56,227	61,712
Transfers to Individuals and Organizations	21,500	20,630	19,639
Bank Charges and Short Term Interest	14,150	13,374	13,558
Interest on Long Term Debt	11,813	11,813	15,293
Other Expenditures	-	-	-
Amortization of Tangible Capital Assets	1,080,000	1,084,209	1,093,170
Loss on Disposal of Tangible Capital Assets	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 5,003,141</b>	<b>\$ 4,884,359</b>	<b>\$ 4,539,151</b>

**SCHEDULE OF SEGMENTED DISCLOSURE**  
**For the Year Ended December 31, 2022**

**Schedule 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total \$
<b>REVENUE</b>								
Net municipal taxes	1,845,832	-	-	-	-	-	-	1,845,832
Government transfers	1,097,832	192,773	540,001	-	120,000	180,853	-	2,131,459
User fees & sale of goods	8,935	30,696	-	4,625	86,216	662,681	5,525	798,678
Investment income	106,544	-	-	-	-	-	-	106,544
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	319,618	-	-	-	-	-	-	319,618
	<u>3,378,761</u>	<u>223,469</u>	<u>540,001</u>	<u>4,625</u>	<u>206,216</u>	<u>843,534</u>	<u>5,525</u>	<u>5,202,131</u>
<b>EXPENSES</b>								
Contract & general	333,336	48,786	241,456	4,147	110,815	139,561	15,694	893,795
Salaries & wages	538,376	41,050	491,770	-	319,905	214,675	82,047	1,687,823
Goods & supplies	51,496	59,566	333,859	-	221,884	256,289	76,394	999,488
Transfers to local boards	-	-	-	-	100,876	-	56,227	157,103
Long-term debt interest	11,813	-	-	-	-	-	-	11,813
Other expenses	29,500	-	-	-	20,628	-	-	50,128
	<u>964,521</u>	<u>149,402</u>	<u>1,067,085</u>	<u>4,147</u>	<u>774,108</u>	<u>610,525</u>	<u>230,362</u>	<u>3,800,150</u>
<b>NET REVENUE, BEFORE</b>								
	<u>2,414,240</u>	<u>74,067</u>	<u>(527,084)</u>	<u>478</u>	<u>(567,892)</u>	<u>233,009</u>	<u>(224,837)</u>	<u>1,401,981</u>
<b>AMORTIZATION</b>								
Amortization expense	80,259	89,029	228,322	-	192,889	490,862	2,848	1,084,209
<b>NET REVENUE</b>								
	<u>2,333,981</u>	<u>(14,962)</u>	<u>(755,406)</u>	<u>478</u>	<u>(760,781)</u>	<u>(257,853)</u>	<u>(227,685)</u>	<u>317,772</u>

**SCHEDULE OF SALARY & BENEFIT DISCLOSURE**  
 For the Year Ended December 31, 2022

**Schedule 7**

2022

	Salary	Benefits & Allowances	Total
<b>MAYOR</b>			
Craig Wilson	\$ 29,555	\$ 4,360	\$ 33,915
<b>COUNCILLORS</b>			
Bob Cleremont	13,631	714	14,345
Jeff Goebel	16,351	4,381	20,732
Elizabeth Krawiec	13,219	2,026	15,245
Terry Kuyek	15,599	4,183	19,782
Dean LaBerge	14,363	3,130	17,493
Daryn Watson	<u>13,859</u>	<u>3,062</u>	<u>16,921</u>
<b>TOTAL MAYORS &amp; COUNCILLORS</b>	<b>\$ <u>116,577</u></b>	<b>\$ <u>21,856</u></b>	<b>\$ <u>138,433</u></b>
<b>APPOINTED AND DESIGNATED OFFICERS</b>			
Municipal Manager	\$ 132,634	\$ 14,136	\$ 146,770
Designated Officers (3)	<u>246,920</u>	<u>27,488</u>	<u>274,408</u>
	<b>\$ <u>379,554</u></b>	<b>\$ <u>41,624</u></b>	<b>\$ <u>421,178</u></b>

**SCHEDULE OF LOCAL AUTHORITIES PENSION PLAN**  
**For the Year Ended December 31, 2022**

**Schedule 8**

**LOCAL AUTHORITIES PENSION PLAN**

Employees of the Town of Swan Hills do not participate in the Local Authorities Pension Plan (LAPP).



**SCHEDULE OF ACCUMULATED SURPLUS**  
**For the Year Ended December 31, 2022**

**Schedule 9**

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2022	2021
Unrestricted Surplus	<u>\$ 203,851</u>	<u>\$ 153,645</u>
Restricted Surplus		
Future Subdivision	272,531	300,000
Public Works Equipment	400,000	420,129
Infrastructure	550,000	708,741
Facilities	150,000	200,000
Protective Services Equipment	670,228	470,228
Land Fill Reclamation	75,000	75,000
Viability Agreement	567,777	66,601
Contingency Operating	400,000	530,000
General Capital	<u>350,000</u>	<u>414,837</u>
	<u>3,435,536</u>	<u>3,185,536</u>
Equity in Tangible Capital Assets	<u>19,741,999</u>	<u>19,724,433</u>
<b>TOTAL ACCUMULATED SURPLUS</b>	<u><b>\$ 23,381,386</b></u>	<u><b>\$ 23,063,614</b></u>

**SCHEDULE OF DEBT LIMITS**  
For the Year Ended December 31, 2022

**Schedule 10**

**DEBT LIMITS**

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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 Swan Hills be disclosed as follows:

Total Debt Limit	\$ 6,252,756
Total Debt	<u>444,769</u>
Amount of Debt Limit Unused	\$ <u>5,807,987</u>
Debt Servicing Limit	\$ 1,042,126
Debt Servicing	<u>183,440</u>
Amount of Debt Servicing Limit Unused	\$ <u>858,686</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined by Alberta Regulation 255/00) and the debt service limit is calculated at .25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of 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 municipality. Rather, the financial statements must be represented as a whole.

# NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES

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The consolidated financial statements of the Town of Swan Hills are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local government accounting standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Town of Swan Hills are as follows:

### a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and changes 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 and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

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

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

### b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

### c) Use of Estimates

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

### d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

## 1. SIGNIFICANT ACCOUNTING POLICIES

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### e) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

### f) 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.

### g) Inventories for Resale

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

### h) 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 collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

### 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 life of the landfill based on usage.

### j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

## 1. SIGNIFICANT ACCOUNTING POLICIES

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### 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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provide the consolidated Change in Net Financial Assets (Debt) for the year.

#### i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Land Improvements	15
Buildings	50
Engineering Structures	
Water System	45 - 75
Wastewater System	45 - 75
Other Engineering Systems	20 - 30
Machinery, Equipment and Furnishings	5 - 25
Vehicles	10 - 25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

#### ii. Contribution of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair market value at the date of receipt and are also recorded as revenue.

#### iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risk incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

## 2. CASH AND TEMPORARY INVESTMENTS

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	2022	2021
Cash	\$ 3,546,483	\$ 3,375,307
Temporary Investments	<u>570,754</u>	<u>564,472</u>
	\$ <u>4,117,237</u>	\$ <u>3,939,779</u>

Temporary investments are short-term deposits with original maturities of 1 year or less.

### 3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2022	2021
Current Taxes and Grants in Place of Taxes	\$ 192,086	\$ 196,086
Arrears Taxes	<u>228,279</u>	<u>172,906</u>
	<b>420,365</b>	368,992
Less: Allowance for Doubtful Accounts	<u>(18,397)</u>	<u>(18,397)</u>
	<b><u>\$ 401,968</u></b>	<b><u>\$ 350,595</u></b>

### 4. DEFERRED REVENUE

	2022	2021
MSI Provincial Capital Grants	\$ 319,760	\$ 356,850
Canada Community-Building Fund	159,845	273,554
Other Capital Grants	<u>1,624</u>	<u>6,220</u>
	<b><u>\$ 481,229</u></b>	<b><u>\$ 636,624</u></b>

### 5. CONTAMINATED SITE LIABILITY

On January 1, 2015, The Town adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

### 6. LONG-TERM DEBT

	2022	2021
Tax Supported Debenture bearing interest at 2.059 per cent per annum, repayable in blended semi-annual installments of \$91,720 to June 2025.	<b><u>\$ 444,769</u></b>	<b><u>\$ 616,396</u></b>

Principal and Interest Repayments are as Follows:

	Principal	Interest	Total
2023	\$ 175,179	\$ 8,261	\$ 183,440
2024	178,805	4,635	183,440
2025	<u>90,785</u>	<u>935</u>	<u>91,720</u>
	<b><u>\$ 444,769</u></b>	<b><u>\$ 13,831</u></b>	<b><u>\$ 458,600</u></b>

## 7. EQUITY IN TANGIBLE CAPITAL ASSETS

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	2022	2021
Tangible Capital Assets (Schedule 2)	\$ 50,861,223	\$ 49,931,075
Accumulated Amortization (Schedule 2)	<u>(30,674,455)</u>	<u>(29,590,246)</u>
	20,186,768	20,340,829
Long-Term Debt (Note 6)	<u>444,769</u>	<u>616,396</u>
	<u>\$ 19,741,999</u>	<u>\$ 19,724,433</u>

## 8. SEGMENTED DISCLOSURE

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The Town of Swan Hills provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial states as disclosed in Note 1.

## 9. TRUST FUNDS

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	2022	2021
Community Senior Housing Donation	\$ <u>570,754</u>	\$ <u>564,472</u>

The Town holds funds in trust for a private donation made for the purpose of community senior housing. The donation is held in a separate investment account bearing interest at 0.75 per cent per annum with the interest being accumulated on the donation.

## 10. CONTINGENCIES

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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.

## 11. FINANCIAL INSTRUMENTS

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The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy and long-term debt. It is management's opinion that the Town is not exposed to significant interest or current risks arising from these financial instruments.

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

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

## 12. APPROVAL OF FINANCIAL STATEMENTS

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Council and Management have approved these financial statements.