

TOWN OF THORSBY

Financial Statements

For The Year Ended December 31, 2016



HAWKINGS EPP DUMONT LLP

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Thorsby

We have audited the accompanying financial statements of the Town of Thorsby, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Thorsby as at December 31, 2016 and the results of its operations, the changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
March 28, 2017

Hawkings Epp Dumont LLP
Chartered Accountants

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To His Worship the Mayor and Members of Council of the Town of Thorsby

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

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

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

Hawkings Epp Dumont LLP, Chartered Accountants, have been appointed by Town Council to express an opinion on the Town's financial statements.

Thorsby, Alberta
March 28, 2017

Mrs. Christine Burke
Chief Administrative Officer

Mrs. Fay Purdie
Chief Financial Officer

TOWN OF THORSBY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 616,623	\$ 1,508,320
Receivables (Note 2)	781,673	556,909
	1,398,296	2,065,229
LIABILITIES		
Accounts payable and accrued liabilities	255,148	312,004
Deposit liabilities	11,452	1,650
Deferred revenue (Note 3)	9,493	10,493
Long-term debt (Note 4)	1,385,565	1,049,321
	1,661,658	1,373,468
NET FINANCIAL ASSETS (DEBT)	(263,362)	691,761
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	16,051,978	15,060,743
Prepaid expenses	10,554	22,629
	16,062,532	15,083,372
ACCUMULATED SURPLUS (Note 6)	\$ 15,799,170	\$ 15,775,133
Contingencies (Note 8)		

ON BEHALF OF THE TOWN COUNCIL:

_____ Mayor

_____ Councillor

The accompanying notes are an integral part of these financial statements.

TOWN OF THORSBY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 (Budget) (Note 19)	2016 (Actual)	2015 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 1,376,149	\$ 1,372,914	\$ 1,330,983
Sales and user charges (Schedule 4)	954,292	987,813	970,869
Government transfers for operating (Schedule 3)	493,311	508,020	335,789
Franchise and concession contracts (Note 9)	180,000	216,107	198,796
Rentals	94,175	75,778	108,936
Licenses and permits	21,750	31,741	31,490
Penalties and costs on taxes	21,860	27,229	18,690
Other	7,000	25,613	5,984
Interest	3,826	6,410	5,450
Fines	3,000	4,291	5,568
	<u>3,155,363</u>	<u>3,255,916</u>	<u>3,012,555</u>
EXPENSES			
Parks and recreation	682,071	670,494	584,567
General administration	660,648	620,826	499,074
Water supply and distribution	617,040	614,162	551,462
Roads, streets, walks and lighting	717,253	601,602	612,789
Waste water treatment and disposal	157,532	180,629	37,668
Council and other legislative	81,413	88,674	82,279
Waste management	78,300	80,404	71,857
Family and community support	77,484	80,033	62,817
Culture: libraries, museums and halls	73,042	69,398	73,574
Fire and disaster services	49,033	44,562	39,267
Bylaws enforcement	32,800	32,800	31,088
Land use planning, zoning and development	5,310	13,274	6,625
Amortization of tangible capital assets	-	523,691	534,075
	<u>3,231,926</u>	<u>3,620,549</u>	<u>3,187,142</u>
ANNUAL DEFICIT BEFORE OTHER INCOME	<u>(76,563)</u>	<u>(364,633)</u>	<u>(174,587)</u>
OTHER INCOME			
Government transfers for capital (Schedule 3)	362,887	389,725	220,010
Loss on disposal of tangible capital assets	-	(1,055)	(17,827)
	<u>362,887</u>	<u>388,670</u>	<u>202,183</u>
ANNUAL SURPLUS	286,324	24,037	27,596
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>15,775,133</u>	<u>15,775,133</u>	<u>15,747,537</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 6)	<u>\$ 16,061,457</u>	<u>\$ 15,799,170</u>	<u>\$ 15,775,133</u>

TOWN OF THORSBY
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 (Budget) (Note 19)	2016 (Actual)	2015 (Actual)
ANNUAL SURPLUS	\$ 286,324	\$ 24,037	\$ 27,596
Acquisition of tangible capital assets	(1,544,339)	(1,515,981)	(369,580)
Amortization of tangible capital assets	-	523,691	534,075
Proceeds on disposal of tangible capital assets	-	-	2,000
Loss on sale of tangible capital assets	-	1,055	17,827
	(1,258,015)	(967,198)	211,918
Use of supplies inventory	-	-	39
Use (acquisition) of prepaid expenses	-	12,075	(9,509)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,258,015)	(955,123)	202,448
NET FINANCIAL ASSETS, BEGINNING OF YEAR	691,761	691,761	489,313
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ (566,254)	\$ (263,362)	\$ 691,761

TOWN OF THORSBY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus	\$ 24,037	\$ 27,596
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	523,691	534,075
Loss on disposal of tangible capital assets	1,055	17,827
	<u>548,783</u>	<u>579,498</u>
Changes in non-cash working capital balances related to operations:		
Receivables	(224,764)	733,277
Accounts payable and accrued liabilities	(56,855)	89,926
Deferred revenue	(1,000)	(1,000)
Deposit liabilities	9,802	(506)
Inventory for consumption	-	39
Prepaid expenses	12,075	(9,509)
	<u>(260,742)</u>	<u>812,227</u>
	<u>288,041</u>	<u>1,391,725</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,515,981)	(369,580)
Proceeds on sale of tangible capital assets	-	2,000
	<u>(1,515,981)</u>	<u>(367,580)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(114,719)	(98,879)
Proceeds from long-term debt	450,962	27,000
	<u>336,243</u>	<u>(71,879)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	<u>(891,697)</u>	<u>952,266</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,508,320</u>	<u>556,054</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 616,623</u>	<u>\$ 1,508,320</u>

TOWN OF THORSBY
SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS *(Schedule 1)*
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 14,036,876	\$ 14,159,243
Acquisition of tangible capital assets	1,515,981	369,580
Amortization of tangible capital assets	(523,691)	(534,075)
Repayment of capital long-term debt	104,647	88,954
Proceeds from capital long-term debt	(450,962)	(27,000)
Net book value of tangible capital assets disposed of	(1,055)	(19,826)
BALANCE, END OF YEAR	\$ 14,681,796	\$ 14,036,876
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 16,051,978	\$ 15,060,743
Capital long-term debt	(1,370,182)	(1,023,867)
	\$ 14,681,796	\$ 14,036,876

TOWN OF THORSBY
SCHEDULE OF PROPERTY TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016

(Schedule 2)

	2016 (Budget) (Note 19)	2016 (Actual)	2015 (Actual)
TAXATION			
Real property taxes	\$ 1,553,053	\$ 1,549,360	\$ 1,490,207
Linear property taxes	60,564	60,564	61,530
Government grants in lieu of property taxes	17,167	17,167	20,094
	<u>1,630,784</u>	<u>1,627,091</u>	<u>1,571,831</u>
REQUISITIONS			
Alberta School Foundation Fund	252,965	252,507	239,183
Leduc Foundation	1,670	1,670	1,665
	<u>254,635</u>	<u>254,177</u>	<u>240,848</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,376,149</u>	<u>\$ 1,372,914</u>	<u>\$ 1,330,983</u>

TOWN OF THORSBY
SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016

(Schedule 3)

	2016 (Budget) (Note 19)	2016 (Actual)	2015 (Actual)
TRANSFERS FOR OPERATING			
Local governments	\$ 371,060	\$ 360,714	\$ 272,159
Provincial government	122,251	147,306	63,630
	<u>493,311</u>	<u>508,020</u>	<u>335,789</u>
TRANSFERS FOR CAPITAL			
Provincial government	306,123	389,725	160,000
Local governments	56,764	-	36,279
Federal government	-	-	23,731
	<u>362,887</u>	<u>389,725</u>	<u>220,010</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 856,198</u>	<u>\$ 897,745</u>	<u>\$ 555,799</u>

**TOWN OF THORSBY
SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

(Schedule 4)

	General Administration	Culture, Parks and Recreation	Protective Services	Roads, Streets, Walks, Lighting	Utilities	All Other	Total
REVENUE							
Taxation	\$ 558,372	\$ 225,877	\$ 71,407	\$ 510,696	\$ -	\$ 6,562	\$ 1,372,914
Sales and user charges	14,789	82,808	-	-	882,677	7,539	987,813
Government transfers	33,600	356,429	1,250	86,555	-	30,186	508,020
All other	13,065	-	4,705	4,351	17,180	272,090	311,391
Rentals	1,000	74,778	-	-	-	-	75,778
	620,826	739,892	77,362	601,602	899,857	316,377	3,255,916
EXPENSES							
Salaries, wages and benefits	307,531	306,386	-	214,289	-	123,794	952,000
Contracted and general services	238,922	87,801	77,362	153,464	266,836	54,539	878,924
Repairs and maintenance	53,608	187,810	-	143,638	444,241	3,648	832,945
Utilities	7,488	89,651	-	82,054	92,630	-	271,823
Insurance	2,600	45,398	-	7,580	31,854	-	87,432
Interest on long-term debt	677	2,846	-	577	39,634	-	43,734
Transfers to local boards	-	20,000	-	-	-	-	20,000
Provision for allowances	10,000	-	-	-	-	-	10,000
	620,826	739,892	77,362	601,602	875,195	181,981	3,096,858
NET REVENUE, BEFORE AMORTIZATION							
Amortization	-	-	-	-	24,662	134,396	159,058
	10,164	135,944	6,031	122,932	248,620	-	523,691
NET REVENUE (DEFICIT)	\$ (10,164)	\$ (135,944)	\$ (6,031)	\$ (122,932)	\$ (223,958)	\$ 134,396	\$ (364,633)

TOWN OF THORSBY

SCHEDULE OF SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

(Schedule 4)

	General Administration	Culture, Parks and Recreation	Protective Services	Roads, Streets, Walks, Lighting	Utilities	All Other	Total
REVENUE							
Taxation	\$ 450,837	\$ 190,007	\$ 64,605	\$ 625,534	\$ -	\$ -	\$ 1,330,983
Sales and user charges	7,489	78,801	-	-	857,864	26,715	970,869
Government transfers	27,630	281,397	-	-	-	26,762	335,789
All other	12,118	-	5,750	5,684	-	242,426	265,978
Rentals	1,000	107,936	-	-	-	-	108,936
	499,074	658,141	70,355	631,218	857,864	295,903	3,012,555
EXPENSES							
Salaries, wages and benefits	221,192	319,890	-	285,919	67,133	104,484	998,618
Contracted and general services	248,562	82,267	70,355	178,119	242,871	47,237	869,411
Repairs and maintenance	26,498	100,141	-	46,007	184,639	-	357,285
Utilities	7,582	87,516	-	95,862	90,802	-	281,762
Insurance	2,952	45,163	-	6,874	31,631	-	86,620
Interest on long-term debt	437	3,173	-	8	43,911	-	47,529
Transfers to local boards	-	19,991	-	-	-	-	19,991
Recovery of allowances	(8,149)	-	-	-	-	-	(8,149)
	499,074	658,141	70,355	612,789	660,987	151,721	2,653,067
NET REVENUE, BEFORE AMORTIZATION							
Amortization	-	-	-	18,429	196,877	144,182	359,488
	5,163	132,917	6,031	122,999	266,965	-	534,075
NET REVENUE (DEFICIT)	\$ (5,163)	\$ (132,917)	\$ (6,031)	\$ (104,570)	\$ (70,088)	\$ 144,182	\$ (174,587)

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

1. ACCOUNTING POLICIES

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

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in financial position of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Mayor and Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education that are not part of the reporting entity.

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

(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.

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

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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) 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.

(e) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of one year or less at acquisition.

(continues)

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

1. ACCOUNTING POLICIES (continued)

(f) Tax Revenue

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

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

(g) Inventory for Consumption

Inventories are valued at the lower of cost and net realizable value with cost determined by the average cost method.

(h) Tangible Capital Assets

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

Buildings	10 - 50 years
Engineered structures:	
Roadways	20 years
Wastewater systems	40 - 100 years
Water systems	40 - 100 years
Machinery and equipment	5 - 20 years
Vehicles	10 - 20 years

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

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

(i) 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.

(j) 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, provides the change in Net Financial Assets (Debt) for the year.

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

2. RECEIVABLES

	2016	2015
Other governments	\$ 422,372	\$ 277,607
Property taxes	160,301	116,045
Utilities	81,014	73,881
Goods and Services Tax	70,774	29,371
Other	66,051	68,844
	800,512	565,748
Less: allowance for doubtful accounts	(18,839)	(8,839)
	\$ 781,673	\$ 556,909

3. DEFERRED REVENUE

Deferred revenue consists of funds received which relate to expenditures of future periods.

	2016	2015
Provincial government conditional transfers	\$ 6,493	\$ 6,493
Rec Plex naming rights	3,000	4,000
	\$ 9,493	\$ 10,493

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

4. LONG-TERM DEBT

	2016	2015
Tax-supported debentures	<u>\$ 1,385,565</u>	<u>\$ 1,049,321</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 250,381	\$ 47,119	\$ 297,500
2018	252,131	40,067	292,198
2019	129,808	33,321	163,129
2020	135,969	27,160	163,129
2021	108,577	20,625	129,202
To maturity	<u>508,699</u>	<u>45,112</u>	<u>553,811</u>
	<u>\$ 1,385,565</u>	<u>\$ 213,404</u>	<u>\$ 1,598,969</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 0.708% to 9.625% per annum. Maturity occurs in periods from 2018 through to 2026. Debenture debt is issued on the credit and security of the Town of Thorsby.

Total cash payments for interest on long-term debt in 2016 amounted to \$45,555 (2015 - \$49,531).

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

5. TANGIBLE CAPITAL ASSETS

	2016 Net Book Value	2015 Net Book Value
Engineered structures		
Water systems	\$ 8,641,121	\$ 8,793,512
Roadways	2,077,341	1,427,015
Wastewater systems	1,199,798	775,031
	<u>11,918,260</u>	<u>10,995,558</u>
Buildings	2,561,742	2,670,255
Land	581,323	581,323
Machinery, equipment, and furnishings	955,024	772,136
Vehicles	35,629	41,471
	<u>\$ 16,051,978</u>	<u>\$ 15,060,743</u>

	Cost Beginning of Year	Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roadways	\$ 6,520,530	\$ 752,374	-	\$ -	\$ 7,272,904
Water systems	11,948,056	64,933	-	-	12,012,989
Wastewater systems	1,717,157	452,347	-	-	2,169,504
	<u>20,185,743</u>	<u>1,269,654</u>	<u>-</u>	<u>-</u>	<u>21,455,397</u>
Buildings	5,233,569	-	-	-	5,233,569
Machinery, equipment, and furnishings	1,408,648	246,327	1,759	-	1,653,216
Land	581,323	-	-	-	581,323
Vehicles	108,855	-	-	-	108,855
	<u>\$ 27,518,138</u>	<u>\$ 1,515,981</u>	<u>\$ 1,759</u>	<u>\$ -</u>	<u>\$ 29,032,360</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 5,093,515	\$ 102,048	-	\$ -	\$ 5,195,563
Water systems	3,154,544	217,324	-	-	3,371,868
Wastewater systems	942,126	27,580	-	-	969,706
	<u>9,190,185</u>	<u>346,952</u>	<u>-</u>	<u>-</u>	<u>9,537,137</u>
Buildings	2,563,314	108,513	-	-	2,671,827
Machinery, equipment, and furnishings	636,512	62,384	704	-	698,192
Vehicles	67,384	5,842	-	-	73,226
	<u>\$ 12,457,395</u>	<u>\$ 523,691</u>	<u>\$ 704</u>	<u>\$ -</u>	<u>\$ 12,980,382</u>

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

6. ACCUMULATED SURPLUS

	2016	2015
Unrestricted surplus	\$ 467,001	\$ 695,694
Operating reserves (Note 7)	87,097	164,337
Capital reserves (Note 7)	563,276	878,226
Equity in tangible capital assets (Schedule 1)	14,681,796	14,036,876
	\$ 15,799,170	\$ 15,775,133

7. RESTRICTED SURPLUS

	2016	2015
Operating Reserves		
Administration contingency	\$ 43,325	\$ 100,774
Snow removal	20,856	12,000
Water contingency	15,563	51,563
Public works contingency	7,353	-
	\$ 87,097	\$ 164,337
Capital Reserves		
Infrastructure power	\$ 116,915	\$ 77,695
Fire	115,068	115,068
Recreation	110,041	107,968
Water	65,766	153,049
Roads & sidewalk replacement	65,157	306,653
Public park	44,860	-
Equipment	22,189	17,189
General administration	11,500	10,800
Sewer	6,780	89,804
Hall	4,000	-
Library	1,000	-
	\$ 563,276	\$ 878,226

8. CONTINGENCIES

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

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

9. FRANCHISE AND CONCESSION CONTRACTS

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

	2016 (Budget) <i>(Note 19)</i>	2016 (Actual)	2015 (Actual)
Fortis Alberta	\$ 128,002	\$ 153,678	\$ 143,332
ATCO Gas	51,998	62,429	55,464
	\$ 180,000	\$ 216,107	\$ 198,796

10. CREDIT FACILITY

The Town has access to a revolving line of credit with a limit of \$1,000,000, bearing interest at prime rate plus 0.25%. At December 31, 2016, the balance owing was \$Nil (2015 - \$Nil).

11. ASSET RETIREMENT OBLIGATION

In 2004, the Town gave a portion of land to Leduc County for construction of the Thorsby and District Fire Hall. The Thorsby public works building also sits on this land. The Town entered into an agreement with Leduc County for the right to use the public works building and immediately adjoining land for a period of 15 years, after which the agreement can be renegotiated. If the Town ceases to use the building during this time, it will be responsible for all demolition and site restoration.

It is the intent of the Mayor and Council of the Town to continue this agreement in perpetuity. Therefore, the amount of any asset retirement obligation is not readily determinable at this time, and no amounts have been accrued in these financial statements. Any additional information which will enable a determination of the retirement obligation will be disclosed as it becomes available.

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

12. 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 Thorsby be disclosed as follows:

	2016	2015
Total debt limit	\$ 4,883,874	\$ 4,518,833
Total debt	1,385,565	1,049,321
Total debt limit remaining	\$ 3,498,309	\$ 3,469,512
Service on debt limit	\$ 813,979	\$ 753,139
Service on debt	297,500	157,522
Total service on debt limit remaining	\$ 516,479	\$ 595,617

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 limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the Town. Rather, the financial statements must be interpreted as a whole.

13. CONTRACTUAL OBLIGATIONS

- (a) The Town has entered into an agreement with GFL Environmental Solid Waste Inc. for the collection of waste material commencing October 1, 2015 for a five-year period ending September 30, 2020. The annual estimated cost over the term of the agreement is \$50,000.
- (b) The Town has entered into an agreement with DMJ Environmental Consulting Ltd. for consulting services regarding the operation of the Town's water treatment plant, water distribution, wastewater treatment and wastewater collection systems commencing October 16, 2015 for a three-year period ending October 16, 2018. The annual estimated cost over the term of the agreement is \$170,000.

14. FUNDS HELD IN TRUST

The Town administers the following trusts on behalf of third parties. As related trust assets are not owned by the Town, the trusts have been excluded from these financial statements. The following table provides a summary of the transactions within these trusts during the year.

	Beginning	Receipts	Outlays	Ending
Tax sale surplus	\$ 37,509	\$ 51,500	\$ 19,738	\$ 69,271
Seniors Program Planning Board	-	26,411	-	26,411
	\$ 37,509	\$ 77,911	\$ 19,738	\$ 95,682

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

15. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Town officials, the Town Administrator and designated officers are required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits (2)	2016	2015
Mayor Barry Rasch	\$ 19,067	\$ 505	\$ 19,572	\$ 18,360
Councillors				
Rick Hart	14,126	350	14,476	13,209
Lloyd Jardine	14,001	-	14,001	14,230
Bill Adams	13,226	294	13,520	827
Nathan Raymond	9,940	225	10,165	-
Robert Burnett	1,754	29	1,783	12,836
Ken Beleshko	-	-	-	9,510
	<u>\$ 72,114</u>	<u>\$ 1,403</u>	<u>\$ 73,517</u>	<u>\$ 68,972</u>
Chief Administrative Officer	<u>\$ 85,570</u>	<u>\$ 20,218</u>	<u>\$ 105,788</u>	<u>\$ 113,501</u>
Chief Financial Officer	<u>\$ 60,399</u>	<u>\$ 8,877</u>	<u>\$ 69,276</u>	<u>\$ 43,325</u>

(1) Salary includes regular base pay, bonuses, overtime lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of the employee benefits and contributions 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.

16. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pension Plans Act*. The LAPP serves approximately 245,000 people and 426 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 expenses in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount.

Total current service contributions by the Town of Thorsby to the LAPP in 2016 were \$65,188 (2015 - \$68,414). Total current service contributions by the employees of the Town to the LAPP in 2016 were \$59,711 (2015 - \$62,628).

At December 31, 2015, the Plan disclosed an actuarial deficit of \$0.9 billion (2014 - \$2.5 billion).

TOWN OF THORSBY
Notes to Financial Statements
For The Year Ended December 31, 2016

17. FINANCIAL INSTRUMENTS

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

The Town is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the Town's credit risk.

The Town is not exposed to interest rate risk on its long-term debt as the interest rate on the debentures is fixed for the term of the debenture.

18. SEGMENTED INFORMATION

The Town provides a range of services to its citizens. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in *Note 1*. For additional information see the Schedule of Segmented Disclosure (*Schedule 4*).

19. BUDGET FIGURES

Budget figures are presented for information purposes only and are unaudited. The 2016 budget, prepared by the Town, reflects all municipal activities including capital projects, debt repayments, and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only.

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
Annual surplus	\$ 286,324	\$ 24,037	\$ 27,596
Amortization of tangible capital assets	-	523,691	534,075
Loss on disposal of tangible capital assets	-	1,055	17,827
Purchase of tangible capital assets	(1,544,339)	(1,515,981)	(369,580)
Repayment of long-term debt	(115,075)	(114,719)	(98,879)
Long-term debt issued	836,736	450,962	27,000
Net transfers (to) from reserves	536,354	392,190	(583,259)
	<u>\$ -</u>	<u>\$ (238,765)</u>	<u>\$ (445,220)</u>

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.
