

TOWN OF THORSBY
Financial Statements
For The Year Ended December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of Town of Thorsby

Opinion

We have audited the financial statements of Town of Thorsby (the Town), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Council) are responsible for overseeing the Town's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town 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 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta

April 23, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Mayor and Council of 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.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by Town Council to express an opinion on the Town's financial statements.

Thorsby, Alberta
April 23, 2019

Mrs. Christine Burke
Chief Administrative Officer

Mrs. Fay Purdie
Chief Financial Officer

TOWN OF THORSBY
Statement of Financial Position
As At December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 2,110,138	\$ 190,485
Receivables (Note 2)	<u>428,058</u>	<u>733,261</u>
	<u>2,538,196</u>	<u>923,746</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	368,461	276,095
Deposit liabilities	12,099	12,093
Deferred revenue (Note 4)	566,388	10,169
Long-term debt (Note 5)	<u>3,262,159</u>	<u>1,484,034</u>
	<u>4,209,107</u>	<u>1,782,391</u>
NET DEBT	<u>(1,670,911)</u>	<u>(858,645)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	16,920,674	16,367,633
Prepaid expenses	<u>13,788</u>	<u>9,121</u>
	<u>16,934,462</u>	<u>16,376,754</u>
ACCUMULATED SURPLUS (Note 7)	<u>\$ 15,263,551</u>	<u>\$ 15,518,109</u>
Contingencies (Note 9)		

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, 2018

	2018 (Budget) (Note 20)	2018 (Actual)	2017 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 1,411,043	\$ 1,410,622	\$ 1,386,961
Sales and user charges (Schedule 4)	955,604	921,424	948,021
Government transfers for operating (Schedule 3)	489,120	356,099	380,126
Franchise and concession contracts (Note 10)	221,114	223,839	228,626
Rentals	102,240	105,621	101,680
Penalties and costs on taxes	22,590	37,987	35,683
Interest	11,000	31,647	6,456
Licenses and permits	20,750	22,053	27,873
Other	2,400	5,127	6,781
Fines	3,500	1,266	1,389
	<u>3,239,361</u>	<u>3,115,685</u>	<u>3,123,596</u>
EXPENSES			
Roads, streets, walks and lighting	696,383	665,299	615,707
Parks and recreation	575,676	559,011	593,807
General administration	524,500	533,533	627,095
Water supply and distribution	413,145	449,804	457,320
Waste water treatment and disposal	102,406	118,180	37,108
Family and community support	86,805	93,275	91,020
Council and other legislative	96,448	88,230	97,054
Culture: libraries, museums and halls	81,058	82,889	128,659
Waste management	83,000	80,390	78,874
Fire and disaster services	50,100	53,014	50,167
Bylaws enforcement	35,500	20,613	28,466
Land use planning, zoning and development	7,910	7,704	12,829
Amortization of tangible capital assets	-	618,301	587,147
	<u>2,752,931</u>	<u>3,370,243</u>	<u>3,405,253</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>486,430</u>	<u>(254,558)</u>	<u>(281,657)</u>
OTHER INCOME			
Government transfers for capital (Schedule 3)	308,118	-	-
Gain on disposal of tangible capital assets	-	-	596
	<u>308,118</u>	<u>-</u>	<u>596</u>
ANNUAL SURPLUS (DEFICIT)	794,548	(254,558)	(281,061)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>15,518,109</u>	<u>15,518,109</u>	<u>15,799,170</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 7)	<u>\$ 16,312,657</u>	<u>\$ 15,263,551</u>	<u>\$ 15,518,109</u>

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

TOWN OF THORSBY
Statement of Changes in Net Debt
For the Year Ended December 31, 2018

	2018 (Budget) (Note 20)	2018 (Actual)	2017 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 794,548	\$ (254,558)	\$ (281,061)
Acquisition of tangible capital assets	(801,218)	(1,171,342)	(905,206)
Amortization of tangible capital assets	-	618,301	587,147
Proceeds on disposal of tangible capital assets	-	-	3,000
Gain on sale of tangible capital assets	-	-	(596)
	(6,670)	(807,599)	(596,716)
Use (acquisition) of prepaid expenses	-	(4,667)	1,433
INCREASE IN NET DEBT	(6,670)	(812,266)	(595,283)
NET DEBT, BEGINNING OF YEAR	(858,645)	(858,645)	(263,362)
NET DEBT, END OF YEAR	\$ (865,315)	\$ (1,670,911)	\$ (858,645)

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

TOWN OF THORSBY
Statement of Cash Flows
For the Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Annual deficit	\$ (254,558)	\$ (281,061)
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	618,301	587,147
Gain on disposal of tangible capital assets	-	(596)
	<u>363,743</u>	<u>305,490</u>
Changes in non-cash working capital balances related to operations:		
Receivables	305,203	48,412
Accounts payable and accrued liabilities	92,366	20,947
Deferred revenue	556,219	676
Deposit liabilities	6	641
Prepaid expenses	(4,667)	1,433
	<u>949,127</u>	<u>72,109</u>
	<u>1,312,870</u>	<u>377,599</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(1,171,342)	(905,206)
Proceeds on disposal of tangible capital assets	-	3,000
	<u>(1,171,342)</u>	<u>(902,206)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(299,280)	(266,745)
Proceeds from long-term debt	2,077,405	365,214
	<u>1,778,125</u>	<u>98,469</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	1,919,653	(426,138)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	190,485	616,623
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,110,138	\$ 190,485

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

TOWN OF THORSBY

Schedule of Equity in Tangible Capital Assets

(Schedule 1)

For the Year Ended December 31, 2018

	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 14,888,764	\$ 14,681,796
Acquisition of tangible capital assets	1,171,342	905,206
Amortization of tangible capital assets	(618,301)	(587,147)
Repayment of capital long-term debt	294,115	256,527
Proceeds from capital long-term debt	(2,077,405)	(365,214)
Net book value of tangible capital assets disposed of	-	(2,404)
BALANCE, END OF YEAR	\$ 13,658,515	\$ 14,888,764
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 16,920,674	\$ 16,367,633
Capital long-term debt	(3,262,159)	(1,478,869)
	\$ 13,658,515	\$ 14,888,764

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

TOWN OF THORSBY
Schedule of Property Taxes
For the Year Ended December 31, 2018

(Schedule 2)

	2018 (Budget) (Note 20)	2018 (Actual)	2017 (Actual)
TAXATION			
Real property taxes	\$ 1,598,382	\$ 1,598,184	\$ 1,577,275
Designated industrial property taxes	64,211	64,211	57,881
Government grants in lieu of property taxes	16,470	16,470	16,553
	<u>1,679,063</u>	<u>1,678,865</u>	<u>1,651,709</u>
REQUISITIONS			
Alberta School Foundation Fund	266,214	266,335	263,114
Leduc Foundation	1,806	1,806	1,634
Designated industrial property	-	102	-
	<u>268,020</u>	<u>268,243</u>	<u>264,748</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,411,043</u>	<u>\$ 1,410,622</u>	<u>\$ 1,386,961</u>

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

TOWN OF THORSBY
Schedule of Government Transfers
For the Year Ended December 31, 2018

(Schedule 3)

	2018 (Budget) (Note 20)	2018 (Actual)	2017 (Actual)
TRANSFERS FOR OPERATING			
Local governments	\$ 307,372	\$ 278,121	\$ 317,566
Provincial government	181,748	77,978	62,560
	489,120	356,099	380,126
TRANSFERS FOR CAPITAL			
Provincial government	308,118	-	-
TOTAL GOVERNMENT TRANSFERS	\$ 797,238	\$ 356,099	\$ 380,126

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

TOWN OF THORSBY

**Schedule of Segmented Information
For the Year Ended December 31, 2018**

(Schedule 4)

	General Administration	Culture, Parks and Recreation	Protective Services	Roads, Streets, Walks, Lighting	Utilities	All Other	Total
REVENUE							
Taxation	\$ 494,332	\$ 190,719	\$ 68,886	\$ 656,685	\$ -	\$ -	\$ 1,410,622
Sales and user charges	6,899	78,301	-	-	827,709	8,515	921,424
Government transfers	18,679	268,259	-	35,417	-	33,744	356,099
All other	12,623	-	4,741	4,120	-	300,435	321,919
Rentals	1,000	104,621	-	-	-	-	105,621
	<u>533,533</u>	<u>641,900</u>	<u>73,627</u>	<u>696,222</u>	<u>827,709</u>	<u>342,694</u>	<u>3,115,685</u>
EXPENSES							
Salaries, wages and benefits	354,296	247,123	-	312,006	-	139,102	1,052,527
Contracted and general services	162,856	66,283	73,627	196,235	324,119	49,907	873,027
Utilities	9,514	109,615	-	95,065	106,752	-	320,946
Repairs and maintenance	3,145	91,350	-	39,637	139,242	200	273,574
Insurance	3,006	54,702	-	5,116	27,543	-	90,367
Transfers to local boards	-	70,663	-	-	-	-	70,663
Interest on long-term debt	16	2,164	-	17,240	50,718	-	70,138
Provision for allowances	700	-	-	-	-	-	700
	<u>533,533</u>	<u>641,900</u>	<u>73,627</u>	<u>665,299</u>	<u>648,374</u>	<u>189,209</u>	<u>2,751,942</u>
NET REVENUE, BEFORE AMORTIZATION							
	-	-	-	30,923	179,335	153,485	363,743
Amortization	12,946	130,367	6,032	208,037	260,919	-	618,301
NET REVENUE (DEFICIT)	<u>\$ (12,946)</u>	<u>\$ (130,367)</u>	<u>\$ (6,032)</u>	<u>\$ (177,114)</u>	<u>\$ (81,584)</u>	<u>\$ 153,485</u>	<u>\$ (254,558)</u>

TOWN OF THORSBY

**Schedule of Segmented Information
For the Year Ended December 31, 2017**

(Schedule 4)

	General Administration	Culture, Parks and Recreation	Protective Services	Roads, Streets, Walks, Lighting	Utilities	All Other	Total
REVENUE							
Taxation	\$ 558,070	\$ 246,421	\$ 75,299	\$ 507,171	\$ -	\$ -	\$ 1,386,961
Sales and user charges	8,195	75,309	-	12,400	838,459	13,658	948,021
Government transfers	46,327	300,056	-	3,557	-	30,186	380,126
All other	13,503	-	3,334	5,388	-	284,583	306,808
Rentals	1,000	100,680	-	-	-	-	101,680
	<u>627,095</u>	<u>722,466</u>	<u>78,633</u>	<u>528,516</u>	<u>838,459</u>	<u>328,427</u>	<u>3,123,596</u>
EXPENSES							
Salaries, wages and benefits	321,895	273,461	-	273,209	-	137,384	1,005,949
Contracted and general services	277,024	66,653	78,633	188,448	313,333	63,519	987,610
Repairs and maintenance	16,861	120,882	-	53,217	102,795	-	293,755
Utilities	8,129	94,527	-	88,523	82,971	-	274,150
Transfers to local boards	-	118,000	-	-	-	-	118,000
Insurance	3,042	46,433	-	5,148	32,831	-	87,454
Interest on long-term debt	144	2,510	-	7,162	41,372	-	51,188
	<u>627,095</u>	<u>722,466</u>	<u>78,633</u>	<u>615,707</u>	<u>573,302</u>	<u>200,903</u>	<u>2,818,106</u>
NET REVENUE, BEFORE AMORTIZATION	-	-	-	(87,191)	265,157	127,524	305,490
Amortization	12,946	132,095	6,031	177,985	258,090	-	587,147
NET REVENUE (DEFICIT)	<u>\$ (12,946)</u>	<u>\$ (132,095)</u>	<u>\$ (6,031)</u>	<u>\$ (265,176)</u>	<u>\$ 7,067</u>	<u>\$ 127,524</u>	<u>\$ (281,657)</u>

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

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 expenses, and 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 expenses 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.

(continues)

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

1. ACCOUNTING POLICIES (continued)

(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.

(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 Town and are recognized as revenue in the year in which the local improvement project is completed.

(g) *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.

(h) *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.

(i) *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 Debt for the year.

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TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

1. ACCOUNTING POLICIES (continued)

(j) *Contaminated Sites*

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

2. RECEIVABLES

	<u>2018</u>	<u>2017</u>
Property taxes	\$ 137,381	\$ 185,005
Goods and Services Tax	94,959	60,564
Other governments	87,734	376,845
Utilities	78,493	80,515
Other	<u>49,030</u>	<u>49,171</u>
	447,597	752,100
Less: allowance for doubtful accounts	<u>(19,539)</u>	<u>(18,839)</u>
	<u>\$ 428,058</u>	<u>\$ 733,261</u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade and other	\$ 255,765	\$ 185,632
Accrued payroll obligations	86,613	74,773
Accrued debenture interest	<u>26,083</u>	<u>15,690</u>
	<u>\$ 368,461</u>	<u>\$ 276,095</u>

4. DEFERRED REVENUE

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

	<u>2018</u>	<u>2017</u>
Provincial government conditional transfers	\$ 565,388	\$ 8,169
Rec Plex naming rights	<u>1,000</u>	<u>2,000</u>
	<u>\$ 566,388</u>	<u>\$ 10,169</u>

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

5. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Tax-supported debentures	\$ 3,262,159	\$ 1,484,034

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 240,067	\$ 105,179	\$ 345,246
2020	249,444	95,802	345,246
2021	225,364	85,956	311,320
2022	232,557	78,763	311,320
2023	239,990	71,330	311,320
To maturity	<u>2,074,737</u>	<u>454,751</u>	<u>2,529,488</u>
	<u>\$ 3,262,159</u>	<u>\$ 891,781</u>	<u>\$ 4,153,940</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 1.86% to 9.625% per annum. Maturity occurs in periods from 2020 through to 2038. Debenture debt is issued on the credit and security of the Town of Thorsby.

Total cash payments for interest on long-term debt in 2018 amounted to \$59,744 (2017 - \$51,277).

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

6. TANGIBLE CAPITAL ASSETS

	2018	2017
	Net Book	Net Book
	Value	Value
Engineered structures		
Water systems	\$ 9,399,895	\$ 8,468,804
Roadways	2,369,012	2,538,731
Wastewater systems	1,377,591	1,421,891
	13,146,498	12,429,426
Buildings	2,345,706	2,453,229
Machinery, equipment, and furnishings	823,202	873,868
Land	581,323	581,323
Vehicles	23,945	29,787
	\$ 16,920,674	\$ 16,367,633

	Cost				Cost
	Beginning of	Additions	Disposals	Write-downs	End of
	Year				Year
Engineered structures					
Roadways	\$ 7,873,960	\$ -	\$ -	\$ -	\$ 7,873,960
Water systems	12,057,244	1,143,995	-	-	13,201,239
Wastewater systems	2,429,399	-	-	-	2,429,399
	22,360,603	1,143,995	-	-	23,504,598
Buildings	5,233,569	-	-	-	5,233,569
Machinery, equipment, and furnishings	1,636,100	27,347	-	-	1,663,447
Land	581,323	-	-	-	581,323
Vehicles	108,855	-	-	-	108,855
	\$ 29,920,450	\$ 1,171,342	\$ -	\$ -	\$ 31,091,792

	Accumulated				Accumulated
	Amortization	Current	Disposals	Write-downs	Amortization
	Beginning of	Amortization			End of
	Year				Year
Engineered structures					
Roadways	\$ 5,335,229	\$ 169,719	\$ -	\$ -	\$ 5,504,948
Water systems	3,588,440	212,904	-	-	3,801,344
Wastewater systems	1,007,508	44,300	-	-	1,051,808
	9,931,177	426,923	-	-	10,358,100
Buildings	2,780,340	107,523	-	-	2,887,863
Machinery, equipment, and furnishings	762,232	78,013	-	-	840,245
Vehicles	79,068	5,842	-	-	84,910
	\$ 13,552,817	\$ 618,301	\$ -	\$ -	\$ 14,171,118

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

7. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ 702,177	\$ 3,233
Operating reserves (Note 8)	134,790	117,113
Capital reserves (Note 8)	768,069	508,999
Equity in tangible capital assets (Schedule 1)	<u>13,658,515</u>	<u>14,888,764</u>
	<u>\$ 15,263,551</u>	<u>\$ 15,518,109</u>

8. RESTRICTED SURPLUS

	<u>2018</u>	<u>2017</u>
Operating Reserves		
Administration contingency	\$ 38,741	\$ 46,341
Public works contingency	32,353	32,353
Water contingency	31,563	15,563
Snow removal	28,133	20,856
Arena concession	<u>4,000</u>	<u>2,000</u>
	<u>\$ 134,790</u>	<u>\$ 117,113</u>
Capital Reserves		
Infrastructure power	\$ 167,181	\$ 56,624
Recreation	126,041	118,041
Fire	115,068	88,068
Roads & sidewalk replacement	107,399	109,664
Water	98,422	15,844
Public park	44,860	44,860
Sewer	44,109	13,609
Equipment	35,089	42,589
General administration	21,900	13,700
Hall	4,000	4,000
Library	<u>4,000</u>	<u>2,000</u>
	<u>\$ 768,069</u>	<u>\$ 508,999</u>

9. 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, 2018

10. 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:

	2018 (Budget) (Note 20)	2018 (Actual)	2017 (Actual)
Fortis Alberta	\$ 165,089	\$ 167,124	\$ 162,091
ATCO Gas	56,025	56,715	66,535
	\$ 221,114	\$ 223,839	\$ 228,626

11. CREDIT FACILITY

The Town has access to a revolving line of credit with a limit of \$1,000,000, bearing interest at prime rate minus 0.25%. At December 31, 2018, the balance owing was \$Nil (2017 - \$524,950).

12. 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, 2018

13. 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:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 4,673,528	\$ 4,685,394
Total debt	<u>(3,262,159)</u>	<u>(1,484,034)</u>
Total debt limit remaining	\$ 1,411,369	\$ 3,201,360
Service on debt limit	\$ 778,921	\$ 780,899
Service on debt	<u>(345,246)</u>	<u>(333,240)</u>
Total service on debt limit remaining	\$ 433,675	\$ 447,659

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.

14. 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, 2018 for a three-year period ending October 15, 2021. The annual estimated cost over the term of the agreement is \$175,000.

15. 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.

	<u>Beginning</u>	<u>Receipts</u>	<u>Outlays</u>	<u>Ending</u>
Tax sale surplus	\$ 79,376	\$ 3,976	\$ -	\$ 83,352
Seniors Program Planning Board	30,425	280	1,648	29,057
	<u>\$ 109,801</u>	<u>\$ 4,256</u>	<u>\$ 1,648</u>	<u>\$ 112,409</u>

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

16. 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)	2018	2017
Mayor Rod Raymond	\$ 16,280	\$ 364	\$ 16,644	\$ 4,223
Mayor Barry Rasch	-	-	-	13,038
Councillors				
Ivor Foster	15,573	-	15,573	3,565
Nathan Raymond	14,373	301	14,674	15,794
Ken Poffenroth	13,597	-	13,597	3,915
Cory Gilbert	13,173	261	13,434	3,639
Rick Hart	-	-	-	11,960
Lloyd Jardine	-	-	-	11,592
Bill Adams	-	-	-	10,048
	<u>\$ 72,996</u>	<u>\$ 926</u>	<u>\$ 73,922</u>	<u>\$ 77,774</u>
Chief Administrative Officer	\$ 87,148	\$ 16,593	\$ 103,741	\$ 102,025
Chief Financial Officer	\$ 66,607	\$ 11,683	\$ 78,290	\$ 63,514

(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.

17. 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 260,000 people and 425 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable earnings up to the year's maximum pensionable earnings and 13.84% on pensionable earnings above this amount.

Total current service contributions by the Town of Thorsby to the LAPP in 2018 were \$65,290 (2017 - \$73,941). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$59,663 (2017 - \$67,760).

At December 31, 2017, the Plan disclosed an actuarial surplus of \$4.8 billion (2016 - \$0.6 billion deficit).

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2018

18. 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.

19. 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*).

20. BUDGET FIGURES

	2018 (Budget)	2018 (Actual)
Annual surplus (deficit)	\$ 794,548	\$ (254,558)
Amortization of tangible capital assets	-	618,301
Purchase of tangible capital assets	(801,218)	(1,171,342)
Repayment of long-term debt	(304,384)	(299,280)
Long-term debt issued	736,718	2,077,405
Net transfers to reserves	(425,664)	(276,747)
	<u>\$ -</u>	<u>\$ 693,779</u>

The budget data presented in these financial statements is based on the operating and capital budgets approved by Town Council on May 22, 2018. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.
