

**TOWN OF THORSBY**  
**Financial Statements**  
**For The Year Ended December 31, 2017**



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## INDEPENDENT AUDITORS' REPORT

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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, 2017, and the statements of operations and accumulated surplus, changes in net debt, 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, 2017 and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta  
April 24, 2018



## **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.

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 24, 2018

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Mrs. Christine Burke  
Chief Administrative Officer

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Mrs. Fay Purdie  
Chief Financial Officer

**TOWN OF THORSBY**  
**Statement of Financial Position**  
**As At December 31, 2017**

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 190,485	\$ 616,623
Receivables (Note 2)	733,261	781,673
	<u>923,746</u>	<u>1,398,296</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 3)	276,095	255,148
Deposit liabilities	12,093	11,452
Deferred revenue (Note 4)	10,169	9,493
Long-term debt (Note 5)	1,484,034	1,385,565
	<u>1,782,391</u>	<u>1,661,658</u>
<b>NET DEBT</b>	<u>(858,645)</u>	<u>(263,362)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	16,367,633	16,051,978
Prepaid expenses	9,121	10,554
	<u>16,376,754</u>	<u>16,062,532</u>
<b>ACCUMULATED SURPLUS (Note 7)</b>	<u>\$ 15,518,109</u>	<u>\$ 15,799,170</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, 2017**

	2017 (Budget) (Note 20)	2017 (Actual)	2016 (Actual)
<b>REVENUE</b>			
Net municipal taxes (Schedule 2)	\$ 1,400,292	\$ 1,386,961	\$ 1,372,914
Sales and user charges (Schedule 4)	962,234	948,021	987,813
Government transfers for operating (Schedule 3)	587,012	380,126	508,020
Franchise and concession contracts (Note 10)	221,114	228,626	216,107
Rentals	95,675	101,680	75,778
Penalties and costs on taxes	22,129	35,683	27,229
Licenses and permits	22,250	27,873	31,741
Other	2,400	6,781	25,613
Interest	3,825	6,456	6,410
Fines	3,500	1,389	4,291
	<u>3,320,431</u>	<u>3,123,596</u>	<u>3,255,916</u>
<b>EXPENSES</b>			
General administration	656,458	627,095	620,826
Roads, streets, walks and lighting	639,797	615,707	601,602
Parks and recreation	668,714	593,807	670,494
Water supply and distribution	458,266	457,320	614,162
Culture: libraries, museums and halls	128,395	128,659	69,398
Council and other legislative	100,160	97,054	88,674
Family and community support	82,112	91,020	80,033
Waste management	73,550	78,874	80,404
Fire and disaster services	49,883	50,167	44,562
Waste water treatment and disposal	56,610	37,108	180,629
Bylaws enforcement	34,060	28,466	32,800
Land use planning, zoning and development	5,310	12,829	13,274
Amortization of tangible capital assets	-	587,147	523,691
	<u>2,953,315</u>	<u>3,405,253</u>	<u>3,620,549</u>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME</b>	<u>367,116</u>	<u>(281,657)</u>	<u>(364,633)</u>
<b>OTHER INCOME</b>			
Government transfers for capital (Schedule 3)	249,338	-	389,725
Gain (loss) on disposal of tangible capital assets	-	596	(1,055)
	<u>249,338</u>	<u>596</u>	<u>388,670</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	616,454	(281,061)	24,037
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>15,799,170</u>	<u>15,799,170</u>	<u>15,775,133</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b> (Note 7)	<u>\$ 16,415,624</u>	<u>\$ 15,518,109</u>	<u>\$ 15,799,170</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, 2017**

	2017 (Budget) (Note 20)	2017 (Actual)	2016 (Actual)
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 616,454	\$ (281,061)	\$ 24,037
Acquisition of tangible capital assets	(1,197,731)	(905,206)	(1,515,981)
Amortization of tangible capital assets	-	587,147	523,691
Proceeds on disposal of tangible capital assets	-	3,000	-
Loss (gain) on sale of tangible capital assets	-	(596)	1,055
	(581,277)	(596,716)	(967,198)
Use (acquisition) of prepaid expenses	-	1,433	12,075
<b>INCREASE IN NET DEBT</b>	(581,277)	(595,283)	(955,123)
<b>NET FINANCIAL ASSETS (DEBT), BEGINNING OF YEAR</b>	(263,362)	(263,362)	691,761
<b>NET DEBT, END OF YEAR</b>	\$ (844,639)	\$ (858,645)	\$ (263,362)

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

**TOWN OF THORSBY**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ (281,061)	\$ 24,037
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	587,147	523,691
Loss (gain) on disposal of tangible capital assets	(596)	1,055
	<u>305,490</u>	<u>548,783</u>
Changes in non-cash working capital balances related to operations:		
Receivables	48,412	(224,764)
Accounts payable and accrued liabilities	20,947	(56,855)
Deferred revenue	676	(1,000)
Deposit liabilities	641	9,802
Prepaid expenses	1,433	12,075
	<u>72,109</u>	<u>(260,742)</u>
	<u>377,599</u>	<u>288,041</u>
<b>CAPITAL ACTIVITIES</b>		
Purchase of tangible capital assets	(905,206)	(1,515,981)
Proceeds on disposal of tangible capital assets	3,000	-
	<u>(902,206)</u>	<u>(1,515,981)</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(266,745)	(114,719)
Proceeds from long-term debt	365,214	450,962
	<u>98,469</u>	<u>336,243</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>(426,138)</b>	<b>(891,697)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>616,623</b>	<b>1,508,320</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 190,485</b>	<b>\$ 616,623</b>

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

**TOWN OF THORSBY**  
**Schedule of Equity in Tangible Capital Assets**  
**For the Year Ended December 31, 2017**

*(Schedule 1)*

	2017	2016
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 14,681,796</b>	<b>\$ 14,036,876</b>
Acquisition of tangible capital assets	905,206	1,515,981
Amortization of tangible capital assets	(587,147)	(523,691)
Repayment of capital long-term debt	256,527	104,647
Proceeds from capital long-term debt	(365,214)	(450,962)
Net book value of tangible capital assets disposed of	(2,404)	(1,055)
<b>BALANCE, END OF YEAR</b>	<b>\$ 14,888,764</b>	<b>\$ 14,681,796</b>
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 16,367,633	\$ 16,051,978
Capital long-term debt	(1,478,869)	(1,370,182)
	<b>\$ 14,888,764</b>	<b>\$ 14,681,796</b>

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



**TOWN OF THORSBY**  
**Schedule of Property Taxes**  
**For the Year Ended December 31, 2017**

*(Schedule 2)*

	2017 (Budget) (Note 20)	2017 (Actual)	2016 (Actual)
<b>TAXATION</b>			
Real property taxes	\$ 1,580,174	\$ 1,577,275	\$ 1,549,360
Linear property taxes	57,881	57,881	60,564
Government grants in lieu of property taxes	16,553	16,553	17,167
	<u>1,654,608</u>	<u>1,651,709</u>	<u>1,627,091</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	252,686	263,114	252,507
Leduc Foundation	1,630	1,634	1,670
	<u>254,316</u>	<u>264,748</u>	<u>254,177</u>
<b>NET MUNICIPAL PROPERTY TAXES</b>	<u>\$ 1,400,292</u>	<u>\$ 1,386,961</u>	<u>\$ 1,372,914</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, 2017**

**(Schedule 3)**

	2017 (Budget) (Note 20)	2017 (Actual)	2016 (Actual)
<b>TRANSFERS FOR OPERATING</b>			
Local governments	\$ 407,717	\$ 317,566	\$ 360,714
Provincial government	179,295	62,560	147,306
	587,012	380,126	508,020
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	249,338	-	389,725
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 836,350</b>	<b>\$ 380,126</b>	<b>\$ 897,745</b>

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

**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
<b>REVENUE</b>							
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
	<b>627,095</b>	<b>722,466</b>	<b>78,633</b>	<b>503,716</b>	<b>838,459</b>	<b>328,427</b>	<b>3,123,596</b>
<b>EXPENSES</b>							
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
	<b>627,095</b>	<b>722,466</b>	<b>78,633</b>	<b>615,707</b>	<b>573,302</b>	<b>200,903</b>	<b>2,818,106</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>							
Amortization	-	-	-	(111,991)	265,157	127,524	305,490
	<b>12,946</b>	<b>132,095</b>	<b>6,031</b>	<b>177,985</b>	<b>258,090</b>	<b>-</b>	<b>587,147</b>
<b>NET REVENUE (DEFICIT)</b>	<b>\$ (12,946)</b>	<b>\$ (132,095)</b>	<b>\$ (6,031)</b>	<b>\$ (289,976)</b>	<b>\$ 7,067</b>	<b>\$ 127,524</b>	<b>\$ (281,657)</b>

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

**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
<b>REVENUE</b>							
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
	<b>620,826</b>	<b>739,892</b>	<b>77,362</b>	<b>601,602</b>	<b>899,857</b>	<b>316,377</b>	<b>3,255,916</b>
<b>EXPENSES</b>							
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
	<b>620,826</b>	<b>739,892</b>	<b>77,362</b>	<b>601,602</b>	<b>875,195</b>	<b>181,981</b>	<b>3,096,858</b>
<b>NET REVENUE, BEFORE AMORTIZATION</b>							
Amortization	-	-	-	-	24,662	134,396	159,058
	<b>10,164</b>	<b>135,944</b>	<b>6,031</b>	<b>122,932</b>	<b>248,620</b>	<b>-</b>	<b>523,691</b>
<b>NET REVENUE (DEFICIT)</b>	<b>\$ (10,164)</b>	<b>\$ (135,944)</b>	<b>\$ (6,031)</b>	<b>\$ (122,932)</b>	<b>\$ (223,958)</b>	<b>\$ 134,396</b>	<b>\$ (364,633)</b>

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

**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

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**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, 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.

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**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

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**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) 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, 2017**

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**1. ACCOUNTING POLICIES (continued)**

*(i) 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.

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**2. RECEIVABLES**

	<u>2017</u>	<u>2016</u>
Other governments	\$ 376,845	\$ 422,372
Property taxes	185,005	160,301
Utilities	80,515	81,014
Goods and Services Tax	60,564	70,774
Other	49,171	66,051
	<u>752,100</u>	<u>800,512</u>
Less: allowance for doubtful accounts	<u>(18,839)</u>	<u>(18,839)</u>
	<u>\$ 733,261</u>	<u>\$ 781,673</u>

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**3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<u>2017</u>	<u>2016</u>
Trade and other	\$ 185,632	\$ 151,616
Accrued payroll obligations	74,773	87,753
Accrued debenture interest	15,690	15,779
	<u>\$ 276,095</u>	<u>\$ 255,148</u>

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**4. DEFERRED REVENUE**

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

	<u>2017</u>	<u>2016</u>
Provincial government conditional transfers	\$ 8,169	\$ 6,493
Rec Plex naming rights	2,000	3,000
	<u>\$ 10,169</u>	<u>\$ 9,493</u>

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**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

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**5. LONG-TERM DEBT**

	<u>2017</u>	<u>2016</u>
Tax-supported debentures	<b><u>\$ 1,484,034</u></b>	<b><u>\$ 1,385,565</u></b>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 285,419	\$ 47,821	\$ 333,240
2019	163,859	40,314	204,173
2020	170,799	33,373	204,172
2021	144,205	26,041	170,246
2022	148,804	21,442	170,246
To maturity	<u>570,948</u>	<u>38,360</u>	<u>609,308</u>
	<b><u>\$ 1,484,034</u></b>	<b><u>\$ 207,351</u></b>	<b><u>\$ 1,691,385</u></b>

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 2027. Debenture debt is issued on the credit and security of the Town of Thorsby.

Total cash payments for interest on long-term debt in 2017 amounted to \$51,277 (2016 - \$45,555).

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**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

**6. TANGIBLE CAPITAL ASSETS**

	2017 Net Book Value	2016 Net Book Value
Engineered structures		
Water systems	\$ 8,468,804	\$ 8,641,121
Roadways	2,538,731	2,077,341
Wastewater systems	1,421,891	1,199,798
	<u>12,429,426</u>	<u>11,918,260</u>
Buildings	2,453,229	2,561,742
Machinery, equipment, and furnishings	873,868	955,024
Land	581,323	581,323
Vehicles	29,787	35,629
	<u>\$ 16,367,633</u>	<u>\$ 16,051,978</u>

	Cost Beginning of Year	Additions	Disposals	Write-downs	Cost End of Year
Engineered structures					
Roadways	\$ 7,272,904	\$ 601,056	-	-	\$ 7,873,960
Water systems	12,012,989	44,255	-	-	12,057,244
Wastewater systems	2,169,504	259,895	-	-	2,429,399
	<u>21,455,397</u>	<u>905,206</u>	<u>-</u>	<u>-</u>	<u>22,360,603</u>
Buildings	5,233,569	-	-	-	5,233,569
Machinery, equipment, and furnishings	1,653,216	-	17,116	-	1,636,100
Land	581,323	-	-	-	581,323
Vehicles	108,855	-	-	-	108,855
	<u>\$ 29,032,360</u>	<u>\$ 905,206</u>	<u>\$ 17,116</u>	<u>\$ -</u>	<u>\$ 29,920,450</u>

	Accumulated Amortization Beginning of Year	Current Amortization	Disposals	Write-downs	Accumulated Amortization End of Year
Engineered structures					
Roadways	\$ 5,195,563	\$ 139,666	-	-	\$ 5,335,229
Water systems	3,371,868	216,572	-	-	3,588,440
Wastewater systems	969,706	37,802	-	-	1,007,508
	<u>9,537,137</u>	<u>394,040</u>	<u>-</u>	<u>-</u>	<u>9,931,177</u>
Buildings	2,671,827	108,513	-	-	2,780,340
Machinery, equipment, and furnishings	698,192	78,752	14,712	-	762,232
Vehicles	73,226	5,842	-	-	79,068
	<u>\$ 12,980,382</u>	<u>\$ 587,147</u>	<u>\$ 14,712</u>	<u>\$ -</u>	<u>\$ 13,552,817</u>

**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

**7. ACCUMULATED SURPLUS**

	2017	2016
Unrestricted surplus	\$ 3,233	\$ 467,001
Operating reserves (Note 8)	117,113	87,097
Capital reserves (Note 8)	508,999	563,276
Equity in tangible capital assets (Schedule 1)	14,888,764	14,681,796
	<b>\$ 15,518,109</b>	<b>\$ 15,799,170</b>

**8. RESTRICTED SURPLUS**

	2017	2016
<b>Operating Reserves</b>		
Administration contingency	\$ 46,341	\$ 43,325
Public works contingency	32,353	7,353
Snow removal	20,856	20,856
Water contingency	15,563	15,563
Arena concession	2,000	-
	<b>\$ 117,113</b>	<b>\$ 87,097</b>
<b>Capital Reserves</b>		
Recreation	\$ 118,041	\$ 110,041
Roads & sidewalk replacement	109,664	65,157
Fire	88,068	115,068
Infrastructure power	56,624	116,915
Public park	44,860	44,860
Equipment	42,589	22,189
Water	15,844	65,766
General administration	13,700	11,500
Sewer	13,609	6,780
Hall	4,000	4,000
Library	2,000	1,000
	<b>\$ 508,999</b>	<b>\$ 563,276</b>

**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, 2017**

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**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:

	2017 (Budget) (Note 20)	2017 (Actual)	2016 (Actual)
Fortis Alberta	\$ 156,765	\$ 162,091	\$ 153,678
ATCO Gas	64,349	66,535	62,429
	<u>\$ 221,114</u>	<u>\$ 228,626</u>	<u>\$ 216,107</u>

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**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 plus 0.25%. At December 31, 2017, the balance owing was \$524,950 (2016 - \$Nil).

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**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.

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**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

**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>2017</u>	<u>2016</u>
Total debt limit	\$ 4,685,394	\$ 4,883,874
Total debt	<u>(1,484,034)</u>	<u>(1,385,565)</u>
<b>Total debt limit remaining</b>	<b>\$ 3,201,360</b>	<b>\$ 3,498,309</b>
Service on debt limit	\$ 780,899	\$ 813,979
Service on debt	<u>(333,240)</u>	<u>(297,500)</u>
<b>Total service on debt limit remaining</b>	<b>\$ 447,659</b>	<b>\$ 516,479</b>

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, 2015 for a three-year period ending October 16, 2018. The annual estimated cost over the term of the agreement is \$170,000.

**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	\$ 69,271	\$ 18,000	\$ 7,895	\$ 79,376
Seniors Program Planning Board	26,411	5,000	986	30,425
	<u>\$ 95,682</u>	<u>\$ 23,000</u>	<u>\$ 8,881</u>	<u>\$ 109,801</u>

**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

**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)	2017	2016
Mayor Barry Rasch	\$ 12,749	\$ 289	\$ 13,038	\$ 19,572
Mayor Rod Raymond	4,130	93	4,223	-
<b>Councillors</b>				
Nathan Raymond	15,457	337	15,794	10,165
Rick Hart	11,717	243	11,960	14,476
Lloyd Jardine	11,592	-	11,592	14,001
Bill Adams	9,867	181	10,048	13,520
Ken Poffenroth	3,915	-	3,915	-
Ivor Foster	3,565	-	3,565	-
Cory Gilbert	3,565	74	3,639	-
Robert Burnett	-	-	-	1,783
	<b>\$ 76,557</b>	<b>\$ 1,217</b>	<b>\$ 77,774</b>	<b>\$ 73,517</b>
Chief Administrative Officer	\$ 85,520	\$ 16,505	\$ 102,025	\$ 105,788
Chief Financial Officer	\$ 54,709	\$ 8,805	\$ 63,514	\$ 69,276

(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 250,000 people and 400 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 2017 were \$73,941 (2016 - \$65,188). Total current service contributions by the employees of the Town to the LAPP in 2017 were \$67,760 (2016 - \$59,711).

At December 31, 2016, the Plan disclosed an actuarial deficit of \$637 million (2015 - \$923 million).

**TOWN OF THORSBY**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2017**

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**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.

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**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*).

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**20. BUDGET FIGURES**

	2017 (Budget)	2017 (Actual)
Annual surplus	\$ 616,454	\$ (281,061)
Amortization of tangible capital assets	-	587,147
Gain on disposal of tangible capital assets	-	(596)
Purchase of tangible capital assets	(1,197,731)	(905,206)
Repayment of long-term debt	(273,667)	(266,745)
Long-term debt issued	843,072	365,214
Net transfers (to) from reserves	11,872	24,261
	<u>\$ -</u>	<u>\$ (476,986)</u>

The budget data presented in these financial statements is based on the operating and capital budgets approved by Town Council on April 11, 2017. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

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**21. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by Council and management.

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