

TOWN OF THORSBY
Financial Statements
For The Year Ended December 31, 2019

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, 2019, 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, 2019, 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

October 28, 2020

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
October 28, 2020

Mrs. Christine Burke
Chief Administrative Officer

TOWN OF THORSBY
Statement of Financial Position
As At December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,791,943	\$ 2,110,138
Receivables (Note 2)	715,475	428,058
	<u>2,507,418</u>	<u>2,538,196</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	231,270	368,461
Deposit liabilities	1,466	12,099
Deferred revenue (Note 4)	643,862	566,388
Long-term debt (Note 5)	3,358,049	3,262,159
	<u>4,234,647</u>	<u>4,209,107</u>
NET DEBT	<u>(1,727,229)</u>	<u>(1,670,911)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	17,207,858	16,920,674
Prepaid expenses	6,454	13,788
	<u>17,214,312</u>	<u>16,934,462</u>
ACCUMULATED SURPLUS (Note 7)	<u>\$ 15,487,083</u>	<u>\$ 15,263,551</u>
Contingencies (Note 10)		

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, 2019

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 1,426,993	\$ 1,414,841	\$ 1,410,622
Sales and user charges (Schedule 4)	938,561	900,124	921,424
Government transfers for operating (Schedule 3)	387,081	376,821	356,099
Franchise and concession contracts (Note 11)	239,941	235,936	223,839
Rentals	102,240	85,950	105,621
Interest	24,000	47,898	31,647
Licenses and permits	22,250	34,034	22,053
Penalties and costs on taxes	22,527	30,891	37,987
Fines	3,500	2,002	1,266
Other	2,400	1,543	5,127
	<u>3,169,493</u>	<u>3,130,040</u>	<u>3,115,685</u>
EXPENSES			
Roads, streets, walks and lighting	704,698	661,523	665,299
General administration	574,999	503,887	533,533
Parks and recreation	544,720	488,310	559,011
Water supply and distribution	470,857	479,712	449,804
Council and other legislative	98,492	89,576	88,230
Waste water treatment and disposal	88,949	87,947	118,180
Waste management	85,500	84,503	80,390
Culture: libraries, museums and halls	82,579	84,481	82,889
Family and community support	87,487	83,152	93,275
Land use planning, zoning and development	7,910	59,651	7,704
Fire and disaster services	53,755	47,278	53,014
Bylaws enforcement	26,500	9,228	20,613
Amortization of tangible capital assets	-	662,026	618,301
	<u>2,826,446</u>	<u>3,341,274</u>	<u>3,370,243</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>343,047</u>	<u>(211,234)</u>	<u>(254,558)</u>
OTHER INCOME			
Government transfers for capital (Schedule 3)	398,047	430,366	-
Gain on disposal of tangible capital assets	-	4,400	-
	<u>398,047</u>	<u>434,766</u>	<u>-</u>
ANNUAL SURPLUS (DEFICIT)	<u>741,094</u>	<u>223,532</u>	<u>(254,558)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>15,518,109</u>	<u>15,263,551</u>	<u>15,518,109</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 7)	<u>\$ 16,259,203</u>	<u>\$ 15,487,083</u>	<u>\$ 15,263,551</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, 2019

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 741,094	\$ 223,532	\$ (254,558)
Acquisition of tangible capital assets	(468,544)	(961,811)	(1,171,342)
Amortization of tangible capital assets	-	662,026	618,301
Proceeds on disposal of tangible capital assets	-	17,000	-
Gain on sale of tangible capital assets	-	(4,400)	-
	272,550	(63,653)	(807,599)
Use (acquisition) of prepaid expenses	-	7,335	(4,667)
DECREASE (INCREASE) IN NET DEBT	272,550	(56,318)	(812,266)
NET DEBT, BEGINNING OF YEAR	(1,670,911)	(1,670,911)	(858,645)
NET DEBT, END OF YEAR	\$ (1,398,361)	\$ (1,727,229)	\$ (1,670,911)

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

TOWN OF THORSBY
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual deficit	\$ 223,532	\$ (254,558)
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	662,026	618,301
Gain on disposal of tangible capital assets	(4,400)	-
	<u>881,158</u>	<u>363,743</u>
Changes in non-cash working capital balances related to operations:		
Receivables	(287,417)	305,203
Accounts payable and accrued liabilities	(137,191)	92,366
Deferred revenue	77,474	556,219
Deposit liabilities	(10,633)	6
Prepaid expenses	7,335	(4,667)
	<u>(350,432)</u>	<u>949,127</u>
	<u>530,726</u>	<u>1,312,870</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(961,811)	(1,171,342)
Proceeds on disposal of tangible capital assets	17,000	-
	<u>(944,811)</u>	<u>(1,171,342)</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	(240,067)	(299,280)
Proceeds from long-term debt	335,957	2,077,405
	<u>95,890</u>	<u>1,778,125</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(318,195)	1,919,653
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,110,138	190,485
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,791,943	\$ 2,110,138

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, 2019

(Schedule 1)

	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 13,658,515	\$ 14,888,764
Acquisition of tangible capital assets	961,811	1,171,342
Amortization of tangible capital assets	(662,026)	(618,301)
Repayment of capital long-term debt	240,067	294,115
Proceeds from capital long-term debt	(335,957)	(2,077,405)
Net book value of tangible capital assets disposed of	(12,601)	-
BALANCE, END OF YEAR	\$ 13,849,809	\$ 13,658,515
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 17,207,858	\$ 16,920,674
Capital long-term debt	(3,358,049)	(3,262,159)
	\$ 13,849,809	\$ 13,658,515

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

TOWN OF THORSBY
Schedule of Property Taxes
For the Year Ended December 31, 2019

(Schedule 2)

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
TAXATION			
Real property taxes	\$ 1,599,722	\$ 1,603,367	\$ 1,598,184
Designated industrial property taxes	70,248	70,248	64,211
Government grants in lieu of property taxes	16,234	16,234	16,470
	<u>1,686,204</u>	<u>1,689,849</u>	<u>1,678,865</u>
REQUISITIONS			
Alberta School Foundation Fund	256,335	272,133	266,335
Leduc Foundation	2,616	2,615	1,806
Designated industrial property	260	260	102
	<u>259,211</u>	<u>275,008</u>	<u>268,243</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,426,993</u>	<u>\$ 1,414,841</u>	<u>\$ 1,410,622</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, 2019

(Schedule 3)

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
TRANSFERS FOR OPERATING			
Local governments	\$ 322,814	\$ 265,944	\$ 278,121
Provincial government	64,267	110,877	77,978
	387,081	376,821	356,099
TRANSFERS FOR CAPITAL			
Provincial government	398,047	430,366	-
TOTAL GOVERNMENT TRANSFERS	\$ 785,128	\$ 807,187	\$ 356,099

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

TOWN OF THORSBY

Schedule of Segmented Information

(Schedule 4)

For the Year Ended December 31, 2019

	General Government	Recreation and Culture	Protective Services	Transporation Services	Environmental Services	Other	Total
REVENUE							
Taxation	\$ 1,414,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,414,841
Sales and user charges	20,375	63,106	-	-	789,721	26,922	900,124
Government transfers	67,616	242,205	-	6,300	-	60,700	376,821
All other	13,273	-	8,415	1,343	-	329,273	352,304
Rentals	1,000	84,950	-	-	-	-	85,950
	<u>1,517,105</u>	<u>390,261</u>	<u>8,415</u>	<u>7,643</u>	<u>789,721</u>	<u>416,895</u>	<u>3,130,040</u>
EXPENSES							
Salaries, wages and benefits	331,338	225,603	8,894	329,452	-	138,731	1,034,018
Contracted and general services	154,157	83,310	47,611	134,152	347,337	93,648	860,215
Utilities	9,830	118,484	-	103,452	104,499	-	336,265
Repairs and maintenance	2,820	35,859	-	56,962	87,220	-	182,861
Interest on long-term debt	-	1,809	-	29,077	71,536	-	102,422
Insurance	4,242	37,062	-	8,430	41,570	-	91,304
Transfers to local boards	-	70,663	-	-	-	-	70,663
Provision for allowances	1,500	-	-	-	-	-	1,500
	<u>503,887</u>	<u>572,790</u>	<u>56,505</u>	<u>661,525</u>	<u>652,162</u>	<u>232,379</u>	<u>2,679,248</u>
NET REVENUE, BEFORE AMORTIZATION	1,013,218	(182,529)	(48,090)	(653,882)	137,559	184,516	450,792
Amortization	16,934	133,051	4,031	210,608	297,402	-	662,026
NET REVENUE (DEFICIT)	<u>\$ 996,284</u>	<u>\$ (315,580)</u>	<u>\$ (52,121)</u>	<u>\$ (864,490)</u>	<u>\$ (159,843)</u>	<u>\$ 184,516</u>	<u>\$ (211,234)</u>

TOWN OF THORSBY

Schedule of Segmented Information

(Schedule 4)

For the Year Ended December 31, 2018

	General Government	Recreation and Culture	Protective Services	Transportation Services	Environmental Services	Other	Total
REVENUE							
Taxation	\$ 1,410,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 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>1,449,823</u>	<u>451,181</u>	<u>4,741</u>	<u>39,537</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	916,290	(190,719)	(68,886)	(625,762)	179,335	153,485	363,743
Amortization	12,946	130,367	6,032	208,037	260,919	-	618,301
NET REVENUE (DEFICIT)	<u>\$ 903,344</u>	<u>\$ (321,086)</u>	<u>\$ (74,918)</u>	<u>\$ (833,799)</u>	<u>\$ (81,584)</u>	<u>\$ 153,485</u>	<u>\$ (254,558)</u>

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2019

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.

(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, 2019

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 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, 20, & 50 years
Engineered structures:	
Roadways	10, 20, & 25 years
Wastewater systems	40, 60, & 100 years
Water systems	40, 60, & 100 years
Machinery and equipment	5, 10, 15, & 20 years
Vehicles	10 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, 2019

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.

(k) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2021, PS 3280 Asset Retirement Obligations provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

Effective for fiscal years beginning on or after April 1, 2022, PS 3400 Revenue provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

2. RECEIVABLES

	<u>2019</u>	<u>2018</u>
Property taxes	\$ 140,894	\$ 137,381
Goods and Services Tax	61,955	94,959
Other governments	456,713	87,734
Utilities	76,952	78,493
Other	-	49,030
	<u>736,514</u>	<u>447,597</u>
Less: allowance for doubtful accounts	<u>(21,039)</u>	<u>(19,539)</u>
	<u>\$ 715,475</u>	<u>\$ 428,058</u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade and other	\$ 123,110	\$ 255,765
Accrued payroll obligations	84,834	86,613
Accrued debenture interest	23,326	26,083
	<u>\$ 231,270</u>	<u>\$ 368,461</u>

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2019

4. DEFERRED REVENUE

Deferred revenue represents unspent externally restricted funds that will be utilized to pay for expenditures of future periods.

	<u>2019</u>	<u>2018</u>
Federal Gas Tax grant	\$ 222,843	\$ 108,148
Alberta Economic Development and Trade grant	210,904	247,866
Municipal Sustainability Initiative capital grant	200,115	209,374
Alberta Health Services Communities Initiative grant	10,000	-
Rec Plex naming rights	-	1,000
	<u>\$ 643,862</u>	<u>\$ 566,388</u>

5. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Tax-supported debentures	<u>\$ 3,358,049</u>	<u>\$ 3,262,159</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 271,211	\$ 104,220	\$ 375,431
2021	247,626	93,878	341,504
2022	255,327	86,177	341,504
2023	263,280	78,224	341,504
2024	256,427	70,114	326,541
To maturity	<u>2,064,178</u>	<u>440,128</u>	<u>2,504,306</u>
	<u>\$ 3,358,049</u>	<u>\$ 872,741</u>	<u>\$ 4,230,790</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 2039. Debenture debt is issued on the credit and security of the Town of Thorsby.

Total cash payments for interest on long-term debt in 2019 amounted to \$105,178 (2018 - \$59,744).

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2019

6. TANGIBLE CAPITAL ASSETS

	2019		2018
	Net Book		Net Book
	Value		Value
Engineered structures			
Water systems	\$ 9,409,198	\$	9,399,895
Roadways	2,453,467		2,369,012
Wastewater systems	1,584,098		1,377,591
	13,446,763		13,146,498
Buildings	2,238,183		2,345,706
Machinery, equipment, and furnishings	921,486		823,202
Land	581,323		581,323
Vehicles	20,103		23,945
	\$ 17,207,858	\$	16,920,674

	Cost				Cost
	Beginning of	Additions	Disposals	Write-downs	End of
	Year				Year
Engineered structures					
Roadways	\$ 7,873,960	\$ 259,361	\$ -	\$ -	\$ 8,133,321
Water systems	13,201,239	253,982	-	-	13,455,221
Wastewater systems	2,429,399	253,982	-	-	2,683,381
	23,504,598	767,325	-	-	24,271,923
Buildings	5,233,569	-	-	-	5,233,569
Machinery, equipment, and furnishings	1,663,447	194,486	36,000	-	1,821,933
Land	581,323	-	-	-	581,323
Vehicles	108,855	-	-	-	108,855
	\$ 31,091,792	\$ 961,811	\$ 36,000	\$ -	\$ 32,017,603

	Accumulated				Accumulated
	Amortization	Current	Disposals	Write-downs	Amortization
	Beginning of	Amortization			End of
	Year				Year
Engineered structures					
Roadways	\$ 5,504,948	\$ 174,906	\$ -	\$ -	\$ 5,679,854
Water systems	3,801,344	244,679	-	-	4,046,023
Wastewater systems	1,051,808	47,475	-	-	1,099,283
	10,358,100	467,060	-	-	10,825,160
Buildings	2,887,863	107,523	-	-	2,995,386
Machinery, equipment, and furnishings	840,245	83,602	23,400	-	900,447
Vehicles	84,910	3,842	-	-	88,752
	\$ 14,171,118	\$ 662,027	\$ 23,400	\$ -	\$ 14,809,745

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2019

7. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 736,203	\$ 702,177
Operating reserves (Note 8)	134,790	134,790
Capital reserves (Note 8)	766,281	768,069
Equity in tangible capital assets (Schedule 1)	<u>13,849,809</u>	<u>13,658,515</u>
	<u>\$ 15,487,083</u>	<u>\$ 15,263,551</u>

8. RESTRICTED SURPLUS

	<u>2019</u>	<u>2018</u>
Operating Reserves		
Administration contingency	\$ 38,741	\$ 38,741
Public works contingency	32,353	32,353
Water contingency	31,563	31,563
Snow removal	28,133	28,133
Arena concession	<u>4,000</u>	<u>4,000</u>
	<u>\$ 134,790</u>	<u>\$ 134,790</u>
Capital Reserves		
Infrastructure power	\$ 167,181	\$ 167,181
Recreation	126,041	126,041
Fire	115,068	115,068
Roads & sidewalk replacement	107,399	107,399
Water	98,422	98,422
Public park	44,860	44,860
Sewer	44,109	44,109
Equipment	35,089	35,089
General administration	21,900	21,900
Hall	4,000	4,000
Library	<u>2,212</u>	<u>4,000</u>
	<u>\$ 766,281</u>	<u>\$ 768,069</u>

9. 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, 2019 and 2018 the revolving line of credit was not drawn upon.

10. 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, 2019

11. 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:

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
Fortis Alberta	\$ 175,485	\$ 172,556	\$ 167,124
ATCO Gas	64,456	63,380	56,715
	\$ 239,941	\$ 235,936	\$ 223,839

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, 2019

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>2019</u>	<u>2018</u>
Total debt limit	\$ 4,695,060	\$ 4,673,528
Total debt	<u>(3,358,049)</u>	<u>(3,262,159)</u>
Total debt limit remaining	\$ 1,337,011	\$ 1,411,369
Service on debt limit	\$ 782,510	\$ 778,921
Service on debt	<u>(375,431)</u>	<u>(345,246)</u>
Total service on debt limit remaining	\$ 407,079	\$ 433,675

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	\$ 83,352	\$ 2,307	\$ -	\$ 85,659
Seniors Program Planning Board	29,057	4,149	6,372	26,834
	<u>\$ 112,409</u>	<u>\$ 6,456</u>	<u>\$ 6,372</u>	<u>\$ 112,493</u>

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2019

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)	2019	2018
Mayor Rod Raymond	\$ 17,060	\$ 692	\$ 17,752	\$ 16,644
Councillors				
Ivor Foster	15,162	-	15,162	15,573
Nathan Raymond	15,162	595	15,757	14,674
Ken Poffenroth	12,810	-	12,810	13,597
Cory Gilbert	14,587	565	15,152	13,434
	<u>\$ 74,781</u>	<u>\$ 1,852</u>	<u>\$ 76,633</u>	<u>\$ 73,922</u>
Chief Administrative Officer	\$ 88,154	\$ 17,756	\$ 105,910	\$ 103,741
Chief Financial Officer	\$ 68,629	\$ 11,601	\$ 80,230	\$ 78,290

(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 and past service pension benefits 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.39% of pensionable earnings up to the year's maximum pensionable earnings and 12.84% on pensionable earnings above this amount.

Total current service contributions by the Town of Thorsby to the LAPP in 2019 were \$58,815 (2018 - 65,290). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$53,052 (2018 - \$59,663).

At December 31, 2018, the Plan disclosed an actuarial surplus of \$3.4 billion (2017 - \$4.8 billion).

TOWN OF THORSBY
Notes to Financial Statements
For the Year Ended December 31, 2019

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

The budget data presented in these financial statements is based on the operating and capital budgets approved by Town Council on May 14, 2019. The table above reconciles the approved financial plan to the figures reported in these financial statements.

	2019 (Budget)	2019 (Actual)
Annual surplus	\$ 741,094	\$ 223,532
Amortization of tangible capital assets	-	662,026
Gain on disposal of tangible capital assets	-	(4,400)
Purchase of tangible capital assets	(468,544)	(961,811)
Repayment of long-term debt	(248,234)	(240,067)
Long-term debt issued	57,544	-
Net transfers to reserves	(81,860)	-
	<u>\$ -</u>	<u>\$ (320,720)</u>

21. SUBSEQUENT EVENTS

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization and on March 17, 2020 the Province of Alberta declared a public health emergency. Many businesses and individuals in a vast array of sectors may experience an economic loss due to COVID-19 which may have a financial effect on the Town. An estimate of the potential financial impact cannot be made at this time.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.
