

TOWN OF THORSBY
FINANCIAL STATEMENTS
DECEMBER 31, 2021



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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Mayor and Council of the Town of Thorsby

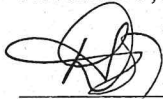
The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

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 the 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.

John H.C. Pinsent Professional Corporation, Chartered Professional Accountants, have been appointed by Town Council to express an opinion on the Town's financial statements.

Thorsby, Alberta
November 3, 2022



Mrs. Donna Tona
Chief Administrative Officer





ST. ARNAUD PINSENT STEMAN

CHARTERED PROFESSIONAL ACCOUNTANTS

Daniel J. St. Arnaud, CPA, CA**
John H.C. Pinsent, FCPA, FCA, ICD.D**
Benardus C. Steman, CPA, CA, CFA**

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the 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, 2021, and the statements of operations and accumulated surplus, changes in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Town of Thorsby at December 31, 2021, and its financial performance and 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 Auditor's 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional 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 Association ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

Report on Other Legal and Regulatory Matters

Debt Limit Regulation:

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

Supplementary Accounting Principles and Standards Regulation:

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 10.

John H.C. Pinsent Professional Corporation

Edmonton, Alberta
November 3, 2022

John H.C. Pinsent Professional Corporation
Chartered Professional Accountants



**TOWN OF THORSBY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	1,558,178	1,645,430
Taxes and grants in place of taxes (Note 2)	155,238	98,820
Trade, grants and other receivables	346,704	184,696
Provincial governments receivables	461,782	807,757
Other local government receivables	<u>240,000</u>	<u>294,914</u>
	<u>2,761,902</u>	<u>3,031,617</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	408,564	81,257
Employee benefit obligation	26,561	79,493
Source deductions payable	9,080	15,921
Deferred revenue (Note 4)	799,530	901,810
Term debt (Note 5)	<u>2,839,211</u>	<u>3,086,838</u>
	<u>4,082,946</u>	<u>4,165,319</u>
NET FINANCIAL DEBT	<u>(1,321,044)</u>	<u>(1,133,702)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	36,539	8,636
Tangible capital assets (Schedule 2)	<u>16,301,583</u>	<u>16,598,412</u>
	<u>16,338,122</u>	<u>16,607,048</u>
ACCUMULATED SURPLUS (SCHEDULE 1, NOTE 12)	<u>15,017,078</u>	<u>15,473,346</u>
CONTINGENCIES AND COMMITMENTS (Note 7 and 14)		



**TOWN OF THORSBY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budget</u> (Note 19)	<u>2021</u>	<u>2020</u>
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,164,440	1,210,300	1,252,650
Sales and user charges	922,767	725,532	893,382
Government transfers for operating (Schedule 4)	731,253	372,288	333,747
Franchise and concession contracts (Note 8)	234,362	248,357	232,787
Rentals	34,716	57,675	88,466
Penalties and costs on taxes and utilities	35,385	47,218	37,278
Licenses and permits	24,945	33,533	18,744
Interest	25,896	15,799	17,583
Program revenues	-	3,964	35,405
Fines	1,183	-	75
Other	7,609	-	3,052
	<u>3,182,556</u>	<u>2,714,666</u>	<u>2,913,169</u>
EXPENSES			
Legislative	72,311	90,216	66,541
Administration	623,183	571,251	529,677
Bylaws enforcement	21,500	37,786	20,264
Fire and protective services	29,500	76,170	53,224
Roads, streets, walks and lighting	283,990	287,734	181,569
Common	460,157	416,842	401,554
Water supply and distribution	357,332	493,607	396,211
Waste water treatment and disposal	38,224	65,386	91,234
Waste management	116,796	74,434	85,168
Subdivision land development	-	-	2,637
Family and community support	36,351	68,791	75,429
Land use planning, zoning and development	9,467	20,342	110,041
Parks and recreation	316,100	482,882	426,150
Culture: libraries, museums and halls	46,351	51,067	52,315
Amortization of tangible capital assets	715,000	695,354	712,584
	<u>3,126,262</u>	<u>3,431,862</u>	<u>3,204,598</u>
SURPLUS (DEFICIT) BEFORE OTHER ITEMS	56,294	(717,196)	(291,429)
Government transfers for capital (Schedule 4)	<u>229,375</u>	<u>260,928</u>	<u>229,376</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>285,669</u>	<u>(456,268)</u>	<u>(62,053)</u>



**TOWN OF THORSBY
STATEMENT OF CHANGES IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>
	\$	\$
DEFICIT FOR THE YEAR	<u>(456,268)</u>	<u>(62,053)</u>
Amortization of tangible assets	695,354	712,584
Acquisition of tangible capital assets	(398,525)	(103,138)
FGTF AB Capital Transfer	-	48,306
Acquisition in prepaid expenses	<u>(27,903)</u>	<u>(2,172)</u>
	<u>268,926</u>	<u>655,580</u>
INCREASE (DECREASE) IN NET FINANCIAL DEBT	(187,342)	593,527
NET FINANCIAL DEBT - BEGINNING OF YEAR	<u>(1,133,702)</u>	<u>(1,727,229)</u>
NET FINANCIAL DEBT - END OF YEAR	<u><u>(1,321,044)</u></u>	<u><u>(1,133,702)</u></u>



TOWN OF THORSBY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Annual deficit for the year	(456,268)	(62,053)
Less: Non-cash items included in annual surplus		
Amortization	<u>695,354</u>	<u>712,584</u>
	239,086	650,531
Changes in working capital excluding cash:		
Taxes and grants in place of taxes	(56,418)	21,035
Trade, grants and other receivable	(161,410)	(45,789)
Provincial governments receivables	345,975	(351,034)
Other local government receivables	54,914	(294,914)
Prepaid expenses	(27,903)	(2,181)
Accounts payable and accrued liabilities	273,777	(54,599)
Deferred revenue	(102,280)	257,947
Deposit liabilities	<u>-</u>	<u>(1,466)</u>
	<u>326,655</u>	<u>(471,001)</u>
	<u>565,741</u>	<u>179,530</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of tangible capital assets	(398,525)	(103,138)
Proceeds on FGTF AB capital transfers	<u>-</u>	<u>48,306</u>
	<u>(398,525)</u>	<u>(54,832)</u>
CASH USED IN FINANCING ACTIVITIES		
Repayment of long term debt	<u>(247,627)</u>	<u>(271,211)</u>
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(87,252)	(146,513)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,645,430</u>	<u>1,791,943</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>1,558,178</u></u>	<u><u>1,645,430</u></u>



TOWN OF THORSBY
SCHEDULE 1: CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF YEAR	\$ 1,064,105	\$ 897,630	\$ 13,511,611	\$ 15,473,346	\$ 15,487,083
Deficit of revenues over expenses	(456,268)	-	-	(456,268)	(62,053)
Transfer to reserves - net	(155,189)	155,189	-	-	-
Current year funds used for tangible capital assets	(398,525)	-	398,525	-	-
Annual amortization expense	695,354	-	(695,354)	-	-
Long term debt repaid	(247,627)	-	247,627	-	-
Other adjustments from prior years	37	-	(37)	-	48,316
Change in accumulated surplus	(562,218)	155,189	(49,239)	(456,268)	(13,737)
BALANCE, END OF YEAR	501,887	1,052,819	13,462,372	15,017,078	15,473,346



**TOWN OF THORSBY
SCHEDULE 2: TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST							
Balance, beginning of year	\$ 613,196	\$ 5,233,569	\$ 24,326,351	\$ 1,833,270	\$ 114,355	\$ 32,120,741	\$ 32,017,603
Acquisition	-	-	342,665	25,335	30,525	398,525	103,138
Balance, end of year	613,196	5,233,569	24,669,016	1,858,605	144,880	32,519,266	32,120,741
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	3,102,545	11,334,137	992,779	92,868	15,522,329	14,809,745
Amortization expense	-	109,437	470,147	107,577	8,193	695,354	712,584
Balance, end of year	-	3,211,982	11,804,284	1,100,356	101,061	16,217,683	15,522,329
NET BOOK VALUE	613,196	2,021,587	12,864,732	758,249	43,819	16,301,583	16,598,412
<i>NET BOOK VALUE, 2020</i>	<i>613,196</i>	<i>2,131,024</i>	<i>12,992,214</i>	<i>840,491</i>	<i>21,487</i>	<i>16,598,412</i>	

The accompanying notes form part of these financial statements.



TOWN OF THORSBY
SCHEDULE 3: PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>	<u>2021</u>	<u>2020</u>
	\$	\$	\$
TAXATION			
Real property taxes	1,403,276	1,430,979	1,438,443
Designated industrial property taxes	12,921	51,193	66,216
Government grants in lieu of property taxes	<u>16,234</u>	<u>8,521</u>	<u>16,234</u>
	1,432,431	1,490,693	1,520,893
REQUISITIONS			
Alberta School Foundation	265,418	277,813	265,418
Leduc Foundation	2,573	2,580	2,582
Designated industrial property	<u>-</u>	<u>-</u>	<u>243</u>
	<u>267,991</u>	<u>280,393</u>	<u>268,243</u>
NET MUNICIPAL PROPERTY TAXES	<u><u>1,164,440</u></u>	<u><u>1,210,300</u></u>	<u><u>1,252,650</u></u>

TOWN OF THORSBY
SCHEDULE 4: GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>	<u>2021</u>	<u>2020</u>
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	449,197	169,820	91,966
Local government	243,503	180,000	241,781
Federal governments	<u>38,553</u>	<u>22,468</u>	<u>-</u>
	731,253	372,288	333,747
TRANSFERS FOR CAPITAL			
Provincial government	<u>229,375</u>	<u>260,928</u>	<u>229,376</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>960,628</u></u>	<u><u>633,216</u></u>	<u><u>563,123</u></u>



TOWN OF THORSBY
SCHEDULE 5: SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Govern- ment	Protective Services	Transpor- tation Services	Environ- mental Services	Public Health & Welfare	Planning & Develop- ment	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 3)	\$1,210,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,210,300
User fees and sale of goods	171,751	1,821	-	541,136	9,404	-	1,420	725,532
Penalties and costs on taxes	39,915	400	-	6,903	-	-	-	47,218
Licenses and permits	23,051	380	-	-	-	10,102	-	33,533
Franchise and concession contracts (Note 8)	248,357	-	-	-	-	-	-	248,357
Interest income	14,779	-	-	-	243	733	44	15,799
Rentals	-	-	1,025	-	-	-	56,650	57,675
Government transfers (Schedule 4)	174,731	-	-	-	3,850	-	193,707	372,288
Other	1,340	300	-	-	-	-	2,324	3,964
	<u>1,884,224</u>	<u>2,901</u>	<u>1,025</u>	<u>548,039</u>	<u>13,497</u>	<u>10,835</u>	<u>254,145</u>	<u>2,714,666</u>
EXPENSES								
Salaries, wages and benefits (Note 15)	378,804	26,505	297,899	-	46,589	-	103,022	852,819
Contracted and general services	223,957	39,299	116,647	356,290	15,110	20,342	188,599	960,244
Materials, goods and utilities	55,127	3,955	261,867	212,361	7,092	-	191,039	731,441
Provision for allowances	(3,027)	-	-	-	-	-	-	(3,027)
Transfers to local boards and agencies	-	44,197	-	-	-	-	50,350	94,547
Interest on long term debt - capital	-	-	28,163	64,776	-	-	939	93,878
Other expenditures	6,606	-	-	-	-	-	-	6,606
	<u>661,467</u>	<u>113,956</u>	<u>704,576</u>	<u>633,427</u>	<u>68,791</u>	<u>20,342</u>	<u>533,949</u>	<u>2,736,508</u>
NET REVENUE (LOSS) BEFORE AMORTIZATION								
	1,222,757	(111,055)	(703,551)	(85,388)	(55,294)	(9,507)	(279,804)	(21,842)
Amortization of tangible capital assets	54,005	7,007	175,726	314,169	-	-	144,447	695,354
NET REVENUE (LOSS)	<u>1,168,752</u>	<u>(118,062)</u>	<u>(879,277)</u>	<u>(399,557)</u>	<u>(55,294)</u>	<u>(9,507)</u>	<u>(424,251)</u>	<u>(717,196)</u>



**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Thorsby (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the town are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This 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, health, social and other external organizations that are not part of the municipal reporting entity. The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

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

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

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

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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) Cash and Cash Equivalents

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

e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.



TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Requisition Over-levy and Under-levy (Continued)

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.

f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and 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.

g) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

h) 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.

i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

j) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debts) for the year.



**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021**

j) Non-Financial Assets (Continued)

i. Tangible Capital Assets

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

Buildings	10, 20, & 50 years
Engineered Structures - Roadways	10, 20, & 25 years
Engineered Structures - water system and wastewater system	40, 60, & 100 years
Engineered structures - wastewater system	40, 60, & 100 years
Machinery and Equipment	5, 10, 15, & 20 years
Vehicles	10 – 20 years

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

ii. Contributions of Tangible Capital Assets

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

iii. Leases

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

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

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



TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2021</u>	<u>2020</u>
	\$	\$
Current taxes and grants in place of taxes	85,015	53,839
Arrears taxes	<u>70,223</u>	<u>44,981</u>
	<u>155,238</u>	<u>98,820</u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	<u>2021</u>	<u>2020</u>
	\$	\$
Trades payable	234,617	49,607
Settlements payable (Note 7)	136,000	-
Accrued debenture interest	17,947	19,650
Accrued liabilities	<u>20,000</u>	<u>12,000</u>
	<u>408,564</u>	<u>81,257</u>

4. DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2021</u>	<u>2020</u>
	\$	\$
Federal Gas Tax	343,767	224,922
Municipal Sustainable Initiative - capital	449,337	321,271
Municipal Stimulus Program	-	120,652
Municipal Operating Support Transfer (MOST)	-	107,778
Alberta Economic Development and Trade	-	107,054
Alberta Health Services Communities Initiative	<u>6,426</u>	<u>20,133</u>
	<u>799,530</u>	<u>901,810</u>



**TOWN OF THORSBY
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5. TERM DEBT

	<u>2021</u>	<u>2020</u>
	\$	\$
Tax-supported debentures	<u>2,839,211</u>	<u>3,086,838</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2022	255,327	86,177	341,504
2023	263,280	78,224	341,504
2024	256,427	70,114	326,541
To maturity	<u>2,064,177</u>	<u>440,128</u>	<u>2,504,305</u>
	<u>2,839,211</u>	<u>674,643</u>	<u>3,513,854</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 1.86% to 3.97% per annum. Maturity occurs in periods from 2020 through 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 2021 amounted to \$93,878 (2020– \$104,220).

6. 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, 2021 and 2020 the revolving line of credit was not drawn upon.

7. 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.

In the ordinary course of business, the Town is involved in lawsuits, claims, investigations, and proceedings. Although the outcome of any legal proceedings cannot be predicted with certainty, management is of the opinion that, apart from those cases where a provision has already been recognized, there are no matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations. In fiscal 2021, there are provisions recognized in the amount of \$136,000 for claims settled after year end. These amounts are a part of the accounts payable balance. There are no provisions recognized in the prior year.



**TOWN OF THORSBY
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8. 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:

	<u>Budget</u>	<u>2021</u>	<u>2020</u>
	\$	\$	\$
Fortis Alberta	174,053	184,447	171,395
ATCO Gas	<u>60,309</u>	<u>63,910</u>	<u>61,392</u>
	<u><u>234,362</u></u>	<u><u>248,357</u></u>	<u><u>232,787</u></u>

9. 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.

10. 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>2021</u>	<u>2020</u>
	\$	\$
Total debt limit	4,071,999	4,477,203
Total debt	<u>(2,839,211)</u>	<u>(3,086,838)</u>
Amount of debt limit unused	<u><u>1,232,788</u></u>	<u><u>1,390,365</u></u>
Debt servicing limit	678,667	746,201
Debt servicing	<u>(341,504)</u>	<u>(341,504)</u>
Amount of debt servicing limit unused	<u><u>337,163</u></u>	<u><u>404,697</u></u>

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.



**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
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11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
	\$	\$
Tangible capital assets (Schedule 2)	32,519,266	32,120,741
Accumulated amortization (Schedule 2)	(16,217,683)	(15,522,329)
Long term debt (Note 5)	<u>(2,839,211)</u>	<u>(3,086,838)</u>
	<u>13,462,372</u>	<u>13,511,574</u>

12. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
	\$	\$
Unrestricted surplus	501,887	1,064,105
Restricted surplus		
Capital reserves		
Infrastructure power	167,181	167,181
Recreation	100,000	126,041
Roads and sidewalk replacement	163,958	163,958
Water	183,522	98,422
Public parks	44,860	44,860
Sewer	100,239	44,109
Equipment	90,157	90,157
Youth Inclusivity and Innovation	35,000	-
General administration	21,900	21,900
Thorsby Network Trails	5,000	-
Hall	4,000	4,000
Library	<u>2,212</u>	<u>2,212</u>
	918,029	762,840
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>
	134,790	134,790
Equity in tangible capital assets	<u>13,462,372</u>	<u>13,511,611</u>
	<u>15,017,078</u>	<u>15,473,346</u>



**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
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13. SEGMENTED DISCLOSURE

The Town of Thorsby provides a range of services to its ratepayers. For each reported segment (Schedule 5), 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 overall, and as disclosed in Note 1.

14. CONTRACTUAL OBLIGATIONS

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 September 24, 2021 for a two-year period ending October 15, 2023. The annual estimated cost over the term of the agreement is \$175,000.

15. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers are required by Alberta Regulation 313/2000, and are as follows:

	2021			2020
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
R. Raymond	12,124	681	12,805	14,577
D. Hostyn	3,414	125	3,539	-
I. Foster	11,450	99	11,549	13,560
N. Raymond	11,125	614	11,739	12,855
K. Poffenroth	9,375	79	9,454	10,864
C. Gilbert	12,914	713	13,627	12,589
S. Rash	2,548	201	2,749	-
T. Musson	2,898	233	3,131	-
J. Miller	2,998	242	3,240	-
CAO	115,835	21,893	137,728	103,095
CFO	-	-	-	63,637

(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.



TOWN OF THORSBY
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16. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP serves approximately 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.

The current service contributions by the Town of Thorsby to the LAPP in 2021 were \$33,520 (2020 - \$40,503).

Total current service contributions by the employees of the Town to the LAPP in 2021 were \$30,189 (2020 - \$33,732).

17. FINANCIAL INSTRUMENTS

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

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

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

18. RELATED PARTY TRANSACTIONS

During the current year, the Town paid \$2,861 (2020 - \$2,802) in contract service expenses to a company owned by the former Mayor. The Town also paid \$5,926 (2020 - \$12,893) in contract service expenses to a company owned by a Councilor. All related party transactions are in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

19. BUDGET FIGURES

The budget data presented in these financial statements is based on the interim operating and capital budgets presented to Town Council on May 18, 2021 and the property tax by-law approved by Town Council on May 18, 2021.



20. COMPARATIVE FIGURES

Some of the comparative figures shown on these financial statements have been re-organized to correspond to current year presentation.

21. COVID-19 PANDEMIC

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 of 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 on November 3, 2022.

