

TOWN OF THORSBY
FINANCIAL STATEMENTS
DECEMBER 31, 2023



CONTENTS

Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2 - 3
Statement of Financial Position	4
Statement of Operations	5
Statement of Changes in Net Financial Debt	6
Statement of Cash Flows	7
Schedule 1 - Changes in Accumulated Surplus	8
Schedule 2 - Tangible Capital Assets	9
Schedule 3 - Property Taxes Levied	10
Schedule 4 - Government Transfers	10
Schedule 5 - Segmented Information	11
Notes to the Financial Statements	12 - 21





MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Mayor and Council of the Town of Thorsby

The accompanying financial statements of the Town of Thorsby are the responsibility of management and have been approved by Council.

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In fulfilling its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Town. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for the appointment of the Town's external auditors.

JAM Accounting Group LLP is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

Thorsby, Alberta

May 7, 2024,

Mrs. Donna Tona
Chief Administrative Officer¹

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Tel: (780) 789-3935 Fax: (780) 789-3779



ST. ARNAUD PINSENT STEMAN

CHARTERED PROFESSIONAL ACCOUNTANTS
AN ASSOCIATION TO PRACTISE CHARTERED PROFESSIONAL ACCOUNTANCY

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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, 2023, 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, 2023, 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.

Other Matter

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 13, 2023.

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 15.

Edmonton, Alberta
May 7, 2024

JAM Accounting Group LLP

JAM Accounting Group LLP
Chartered Professional Accountants



**TOWN OF THORSBY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	1,980,811	1,531,071
Taxes and grants in place of taxes (Note 2)	215,088	190,162
Trade, grants and other receivables	393,537	322,192
Provincial governments receivables	622,169	685,299
Other local government receivables	<u>130,490</u>	<u>381,528</u>
	<u>3,342,095</u>	<u>3,110,252</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	279,428	200,817
Employee benefit obligation	42,567	36,082
Deferred revenue (Note 4 and Note 20)	1,272,405	1,331,557
Term debt (Note 5)	2,320,604	2,583,884
Asset retirement obligation (Note 9)	<u>3,961,274</u>	<u>-</u>
	<u>7,876,278</u>	<u>4,152,340</u>
NET FINANCIAL DEBT	<u>(4,534,183)</u>	<u>(1,042,088)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	18,044	23,819
Tangible capital assets (Schedule 2)	<u>19,180,535</u>	<u>15,654,583</u>
	<u>19,198,579</u>	<u>15,678,402</u>
ACCUMULATED SURPLUS (Schedule 1, Note 12)	<u>14,664,396</u>	<u>14,636,314</u>
CONTINGENCIES AND COMMITMENTS (Note 7 and 14)		



**TOWN OF THORSBY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Budget</u> (Note 19)	<u>2023</u>	<u>2022</u>
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,644,786	1,626,726	1,495,345
Sales and user charges	840,474	896,486	838,611
Government transfers for operating (Schedule 4)	718,691	598,111	484,844
Franchise and concession contracts (Note 8)	306,975	287,271	266,222
Rentals	158,000	180,918	122,952
Penalties and costs on taxes and utilities	23,000	40,763	18,371
Licenses and permits	10,500	24,740	22,483
Interest	30,000	106,084	48,674
Program revenues	8,000	1,763	1,917
Fines	2,500	-	-
Other	6,000	8,323	9,776
	<u>3,748,926</u>	<u>3,771,185</u>	<u>3,309,195</u>
EXPENSES			
Legislative	82,450	71,504	70,565
Administration	862,569	613,290	516,282
Bylaws enforcement	23,024	16,260	63,161
Fire and protective services	105,385	105,783	91,290
Roads, streets, walks and lighting	292,452	196,784	209,084
Common	659,757	519,912	495,528
Water supply and distribution	626,230	680,518	517,094
Waste water treatment and disposal	177,983	72,770	76,483
Waste management	79,600	72,613	70,068
Family and community support	47,600	44,796	26,019
Land use planning, zoning and development	26,300	35,054	20,867
Parks and recreation	690,763	685,463	600,331
Culture: libraries, museums and halls	74,407	74,477	73,815
	<u>3,748,520</u>	<u>3,189,224</u>	<u>2,830,587</u>
SURPLUS (DEFICIT) BEFORE OTHER ITEMS	406	581,961	478,608
Adjustment from prior year transfers for capital (Schedule 4 and Note 20)	-	-	(171,128)
Government transfers for capital (Schedule 4)	-	109,147	-
Amortization of tangible capital assets	-	(660,861)	(682,020)
Loss on disposal of tangible capital assets	-	(2,165)	(6,224)
	<u>-</u>	<u>(553,879)</u>	<u>(859,372)</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>406</u>	<u>28,082</u>	<u>(380,764)</u>



TOWN OF THORSBY
STATEMENT OF CHANGES IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
	\$	\$
DEFICIT FOR THE YEAR	<u>28,082</u>	<u>(380,764)</u>
Amortization of tangible assets	660,861	682,020
Asset retirement obligation	(3,961,274)	-
Acquisition of tangible capital assets	(227,705)	(43,118)
Loss on sale of tangible capital assets	2,165	6,224
Proceeds on disposal of tangible capital assets	-	1,875
Reduction of prepaid expenses	<u>5,776</u>	<u>12,719</u>
	<u>(3,520,177)</u>	<u>659,720</u>
INCREASE IN NET FINANCIAL DEBT	(3,492,095)	278,956
NET FINANCIAL DEBT - BEGINNING OF YEAR	<u>(1,042,088)</u>	<u>(1,321,044)</u>
NET FINANCIAL DEBT - END OF YEAR	<u><u>(4,534,183)</u></u>	<u><u>(1,042,088)</u></u>



**TOWN OF THORSBY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>
	\$	\$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual deficit for the year	28,082	(380,764)
Less: Non-cash items included in annual surplus		
Loss on sale of tangible capital assets	2,165	6,224
Amortization	660,861	682,020
Asset retirement obligation tangible capital assets	<u>(3,961,274)</u>	<u>-</u>
	(3,270,166)	307,480
Changes in working capital excluding cash:		
Taxes and grants in place of taxes	(24,926)	(34,924)
Trade, grants and other receivable	(71,345)	24,512
Provincial governments receivables	63,130	(223,517)
Other local government receivables	251,038	(141,528)
Prepaid expenses	5,775	12,720
Accounts payable and accrued liabilities	85,097	(198,227)
Deferred revenue	(59,152)	532,027
Asset retirement obligation	<u>3,961,274</u>	<u>-</u>
	<u>4,210,891</u>	<u>(28,937)</u>
	<u>940,725</u>	<u>278,543</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
Purchase of tangible capital assets	(227,705)	(43,118)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>1,875</u>
	<u>(227,705)</u>	<u>(41,243)</u>
CASH USED IN FINANCING ACTIVITIES		
Repayment of long term debt	<u>(263,280)</u>	<u>(264,407)</u>
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	449,740	(27,107)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,531,071</u>	<u>1,558,178</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>1,980,811</u></u>	<u><u>1,531,071</u></u>



TOWN OF THORSBY
SCHEDULE 1: CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 512,797	\$ 1,052,819	\$ 13,070,698	\$ 14,636,314	\$ 15,017,078
Deficit of revenues over expenses	28,082	-	-	28,082	(380,764)
Transfer to reserves - net	(45,929)	45,929	-	-	-
Current year funds used for capital assets	(227,705)	-	227,705	-	-
Asset retirement obligation tangible capital assets	(3,961,274)	-	3,961,274	-	-
Annual amortization expense	660,861	-	(660,861)	-	-
Long term debt repaid	(263,280)	-	263,280	-	-
Loss on sale of capital assets	2,165	-	(2,165)	-	-
Asset retirement obligation	3,961,274	-	(3,961,274)	-	-
Change in accumulated surplus	154,194	45,929	(172,041)	28,082	(380,764)
BALANCE, END OF YEAR	666,991	1,098,748	12,898,657	14,664,396	14,636,314

The accompanying notes form part of these financial statements.



TOWN OF THORSBY
SCHEDULE 2: TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023	2022
COST							
Balance, beginning of year	\$ 613,196	\$ 5,268,433	\$ 24,669,016	\$ 1,866,859	\$ 136,355	\$ 32,553,859	\$ 32,519,266
Acquisition	-	3,262,083	764,950	161,946	-	4,188,979	43,118
Disposal	-	(5,775)	-	-	-	(5,775)	(8,525)
Balance, end of year	613,196	8,524,741	25,433,966	2,028,805	136,355	36,737,063	32,553,859
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	3,321,340	12,258,831	1,209,604	109,502	16,899,277	16,217,683
Amortization expense	-	108,264	428,796	113,649	6,542	657,251	682,021
Amortization on disposal	-	-	-	-	-	-	(427)
Balance, end of year	-	3,429,604	12,687,627	1,323,253	116,044	17,556,528	16,899,277
NET BOOK VALUE	613,196	5,095,137	12,746,339	705,552	20,311	19,180,535	15,654,583
<i>NET BOOK VALUE, 2022</i>	<i>613,196</i>	<i>1,947,093</i>	<i>12,410,185</i>	<i>657,255</i>	<i>26,853</i>	<i>15,654,583</i>	

The accompanying notes form part of these financial statements.



TOWN OF THORSBY
SCHEDULE 3: PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
	\$	\$	\$
TAXATION			
Real property taxes	1,840,200	1,824,759	1,703,941
Designated industrial property taxes	70,317	70,317	70,317
Government grants in lieu of property taxes	<u>9,711</u>	<u>9,327</u>	<u>9,327</u>
	1,920,228	1,904,403	1,783,585
REQUISITIONS			
Alberta School Foundation	272,552	272,552	285,665
Leduc Foundation	2,625	5,125	2,575
Designated industrial property	<u>265</u>	<u>-</u>	<u>-</u>
	<u>275,442</u>	<u>277,677</u>	<u>288,240</u>
NET MUNICIPAL PROPERTY TAXES	<u>1,644,786</u>	<u>1,626,726</u>	<u>1,495,345</u>

TOWN OF THORSBY
SCHEDULE 4: GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Budget</u>	<u>2023</u>	<u>2022</u>
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	44,485	288,679	48,063
Local government	394,875	309,432	427,295
Federal governments	<u>-</u>	<u>-</u>	<u>9,486</u>
	439,360	598,111	484,844
TRANSFERS FOR CAPITAL			
Provincial government	-	109,147	-
Provincial government - adjustment of prior year (Note 20)	<u>-</u>	<u>-</u>	<u>(171,128)</u>
	<u>-</u>	<u>109,147</u>	<u>(171,128)</u>
TOTAL GOVERNMENT TRANSFERS	<u>439,360</u>	<u>707,258</u>	<u>313,716</u>



TOWN OF THORSBY
SCHEDULE 5: SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Government	Protective Services	Transpor- tation Services	Environ- mental Services	Public Health & Welfare	Planning & Develop- ment	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 3)	\$ 1,626,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,626,726
User fees and sale of goods	50	-	-	798,015	15,064	-	83,357	896,486
Penalties and costs on taxes	40,763	-	-	-	-	-	-	40,763
Licenses and permits	10,915	2,050	-	-	-	11,775	-	24,740
Franchise and concession contracts (Note 8)	287,271	-	-	-	-	-	-	287,271
Interest income	106,084	-	-	-	-	-	-	106,084
Rentals	1,000	-	-	-	-	-	179,918	180,918
Government transfers (Schedule 4)	201,265	-	-	155,884	41,277	-	308,832	707,258
Program revenues	1,763	-	-	-	-	-	-	1,763
Other	223	-	-	-	-	-	8,100	8,323
	2,276,060	2,050	-	953,899	56,341	11,775	580,207	3,880,332
EXPENSES								
Salaries, wages and benefits (Note 15)	185,649	6,510	352,517	-	27,597	-	282,797	855,070
Contracted and general services	348,066	106,089	150,829	584,466	1,120	35,054	203,706	1,429,330
Materials, goods and utilities	97,984	9,444	185,634	193,053	16,079	-	210,133	712,327
Provision for allowances	53,095	-	-	-	-	-	-	53,095
Transfers to local boards and agencies	-	-	-	-	-	-	63,000	63,000
Interest on long term debt - capital	-	-	27,716	48,382	-	-	304	76,402
Loss on sale of capital assets	2,165	-	-	-	-	-	-	2,165
	686,959	122,043	716,696	825,901	44,796	35,054	759,940	3,191,389
NET REVENUE (LOSS) BEFORE AMORTIZATION	1,589,101	(119,993)	(716,696)	127,998	11,545	(23,279)	(179,733)	688,943
Amortization of tangible capital assets	57,339	4,032	187,114	263,647	-	-	148,729	660,861
NET REVENUE (LOSS)	1,531,762	(124,025)	(903,810)	(135,649)	11,545	(23,279)	(328,462)	28,082

11

The accompanying notes form part of these financial statements.



TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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) Asset retirement obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.



TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

j) Asset retirement obligations (Continued)

At each financial reporting date, the town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

k) 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.

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, 2023

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2023</u>	<u>2022</u>
	\$	\$
Current taxes and grants in place of taxes	99,369	78,534
Arrears taxes	<u>115,719</u>	<u>111,628</u>
	<u><u>215,088</u></u>	<u><u>190,162</u></u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	<u>2023</u>	<u>2022</u>
	\$	\$
Trades payable	196,187	153,859
Accrued debenture interest	14,363	16,185
Accrued liabilities	<u>68,878</u>	<u>30,773</u>
	<u><u>279,428</u></u>	<u><u>200,817</u></u>

4. DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2023</u>	<u>2022</u>
	\$	\$
Municipal Sustainable Initiative - capital (Note 20)	885,073	758,489
Canada Community Building Fund	370,426	404,592
Alberta Municipal Water/Wastewater Partnership	9,744	165,628
Business licenses	4,100	-
Alberta Wellness Fair Grant	3,062	-
Alberta Health Services Communities Initiative	<u>-</u>	<u>2,848</u>
	<u><u>1,272,405</u></u>	<u><u>1,331,557</u></u>

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. TERM DEBT

	<u>2023</u>	<u>2022</u>
	\$	\$
Tax-supported debentures	<u>2,320,604</u>	<u>2,583,884</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2024	256,148	70,084	326,232
2025	252,329	62,107	314,436
2026	213,123	54,003	267,126
To maturity	<u>1,599,004</u>	<u>324,048</u>	<u>1,923,052</u>
	<u>2,320,604</u>	<u>510,242</u>	<u>2,830,846</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 2023 amounted to \$76,402 (2022– \$84,415).

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, 2023 and 2022 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 such matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations. There are no provisions recognized in the current year.

TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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>2023</u>	<u>2022</u>
	\$	\$	\$
Fortis Alberta	189,000	185,118	188,213
ATCO Gas	<u>115,000</u>	<u>102,153</u>	<u>78,009</u>
	<u>304,000</u>	<u>287,271</u>	<u>266,222</u>

9. ASSET RETIREMENT OBLIGATION

Hazardous building material abatement

The Town owns buildings which contain hazardous building materials (HBMs) and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the HBMs in a prescribed manner when it is disturbed. The estimated total liability for the abatement activities for these buildings is \$3,196,324 adjusted annually for inflation.

Sewer system

The Town's sewer system is comprised of a dual-cell sewage lagoon and sewage lift station. The Town is legally required to decommission and remediate these sites. The estimated total liability for the decommissioning, remediation and reclamation of the lagoon and lift station is \$424,877 adjusted annually for inflation.

Water system

The Town's water system is comprised of two water treatment plants. The Town is legally required to decommission and remediate these sites. The estimated total liability for the decommissioning, remediation and reclamation of the two water treatment plants are \$340,073 adjusted annually for inflation.

	<u>2023</u>	<u>2022</u>
	\$	\$
<u>Total asset retirement obligation</u>		
Beginning balance	-	-
Liabilities incurred	3,961,274	-
Liabilities settled	-	-
Accretion expense	-	-
Estimated total liability	<u>3,961,274</u>	<u>-</u>



TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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>2023</u>	<u>2022</u>
	\$	\$
Total debt limit	5,656,778	4,963,793
Total debt	<u>(2,320,604)</u>	<u>(2,583,884)</u>
Amount of debt limit unused	<u>3,336,174</u>	<u>2,379,909</u>
Debt servicing limit	942,796	827,299
Debt servicing	<u>(326,232)</u>	<u>(341,504)</u>
Amount of debt servicing limit unused	<u>616,564</u>	<u>485,795</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.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
	\$	\$
Tangible capital assets (Schedule 2)	36,737,063	32,553,859
Accumulated amortization (Schedule 2)	(17,556,528)	(16,899,277)
Asset retirement obligation	(3,961,274)	-
Long term debt (Note 5)	<u>(2,320,604)</u>	<u>(2,583,884)</u>
	<u>12,898,657</u>	<u>13,070,698</u>

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

12. ACCUMULATED SURPLUS

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Unrestricted surplus	666,991	512,797
Restricted surplus		
Capital reserves		
Infrastructure power	167,181	167,181
Recreation	145,929	100,000
Roads and sidewalk replacement	163,958	163,958
Water	183,522	183,522
Public parks	44,860	44,860
Sewer	100,239	100,239
Equipment	90,157	90,157
Youth Inclusivity and Innovation	35,000	35,000
General administration	21,900	21,900
Thorsby Network Trails	5,000	5,000
Hall	4,000	4,000
Library	<u>2,212</u>	<u>2,212</u>
	963,958	918,029
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>12,898,657</u>	<u>13,070,698</u>
	<u>14,664,396</u>	<u>14,636,314</u>

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.



TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

14. CONTRACTUAL OBLIGATIONS

The Town 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 which ended on October 15, 2023. On November 28, 2023, the Town entered into a new agreement with DMJ Environment Consulting Ltd. which expired on January 31, 2024.

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:

	2023		2022	
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
D. Hostyn	15,188	98	15,286	15,286
C. Gilbert	11,424	420	11,844	11,844
S. Rasch	13,174	649	13,823	13,823
T. Musson	12,405	616	13,021	13,021
J. Miller	13,074	647	13,720	13,720
CAO	84,000	-	84,000	56,500
CFO	84,000	-	84,000	56,500

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

(2) Benefits and allowances include the employer’s share of the employee benefits and contributions made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

16. 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.

TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable earnings up to the year's maximum pensionable earnings and 11.80% on pensionable earnings above this amount.

The current service contributions by the Town of Thorsby to the LAPP in 2023 were \$35,880 (2022 - \$33,491).

Total current service contributions by the employees of the Town to the LAPP in 2023 were \$31,795 (2022 - \$29,774).

18. RELATED PARTY TRANSACTIONS

During the current year, the Town paid \$nil (2022 - \$225) 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 13, 2023 and the property tax by-law approved by Town Council on May 13, 2023.

20. PRIOR YEAR ADJUSTMENT OF TRANSFERS FOR CAPITAL

During fiscal 2022, it was determined that in fiscal 2020 Municipal Sustainable Initiative capital revenue was overstated by \$171,128 due to the allocations made to government transfers for capital. The adjustment was made in the previous fiscal year, and recorded to deferred revenue, as this revenue had not yet been spent.

21. COMPARATIVE FIGURES

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

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management on May 7, 2024.

