

**TOWN OF TROCHU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**TOWN OF TROCHU
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Trochu, which comprise the statement of financial position as at December 31, 2016 and the statement of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Trochu as at December 31, 2016, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

HANNA, ALBERTA
FEBRUARY 16, 2017


CHARTERED ACCOUNTANTS

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,233,391	\$ 842,047
Receivables		
Taxes and grants in place of taxes (Note 3)	154,237	129,368
Trade and other receivables	260,851	255,343
Receivables from other governments	61,775	390,635
Land inventory held for resale	1,334,368	1,342,390
Investments (Note 4)	10	10
Deposits for asset acquisitions (Note 5)	<u>5,800</u>	<u> </u>
	<u>3,050,432</u>	<u>2,959,793</u>
LIABILITIES		
Accounts payable and accrued liabilities	78,532	119,422
Deposit liabilities (Note 6)	68,219	7,824
Deferred revenue (Note 7)	480,251	544,501
Employee benefit obligations (Note 8)	32,492	31,893
Long-term debt (Note 9)	<u>1,136,046</u>	<u>1,297,565</u>
	<u>1,795,540</u>	<u>2,001,205</u>
NET FINANCIAL ASSETS	<u>1,254,892</u>	<u>958,588</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	7,835,463	7,610,320
Prepaid expenses	<u>73</u>	<u>71</u>
	<u>7,835,536</u>	<u>7,610,391</u>
ACCUMULATED SURPLUS	<u>\$ 9,090,428</u>	<u>\$ 8,568,979</u>
	CONTINGENCIES (SEE NOTE 15)	

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
REVENUE			
Net municipal taxes (Schedule 2)	\$ 1,065,656	\$ 1,057,389	\$ 1,035,308
User fees and sale of goods	1,041,300	989,604	986,449
Government transfers for operating (Schedule 3)	294,700	360,552	376,752
Investment income	5,060	6,522	7,662
Penalties and costs on taxes	50,000	44,233	60,041
Licenses and permits	700	1,525	900
Franchise and concession contracts	90,000	108,230	78,043
Gain on disposal of tangible capital assets		21,175	1,750
Other	<u>68,100</u>	<u>74,433</u>	<u>154,475</u>
Total Revenue	<u>2,615,516</u>	<u>2,663,663</u>	<u>2,701,380</u>
EXPENSES			
Legislative	98,950	84,761	89,023
Administration	434,842	422,654	407,187
Protective services	81,400	98,716	67,324
Transportation	317,636	461,242	490,038
Water supply and distribution	572,494	605,208	583,395
Wastewater treatment and disposal	81,046	88,722	94,108
Waste management	156,510	204,883	156,363
Family and community support	33,800	66,301	215,738
Land use planning, zoning and development	134,165	97,809	329,323
Subdivision land and development	42,300	50,025	50,968
Parks and recreation	302,358	343,145	309,108
Culture	<u>175,868</u>	<u>167,168</u>	<u>166,487</u>
Total Expenses	<u>2,431,369</u>	<u>2,690,634</u>	<u>2,959,062</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	184,147	(26,971)	(257,682)
Government transfers for capital (Schedule 3)		548,420	458,001
Capital donations and other capital revenue			<u>59,939</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	184,147	521,449	260,258
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>8,568,979</u>	<u>8,568,979</u>	<u>8,308,721</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 8,753,126</u>	<u>\$ 9,090,428</u>	<u>\$ 8,568,979</u>

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ <u>184,147</u>	\$ <u>521,449</u>	\$ <u>260,258</u>
Acquisition of tangible capital assets		(619,302)	(582,155)
Proceeds on sale of tangible capital assets		24,019	147,176
Amortization of tangible capital assets		373,628	369,515
(Gain) loss on sale of tangible capital assets		<u>(3,488)</u>	<u>2,981</u>
		<u>(225,143)</u>	<u>(62,483)</u>
Change in prepaid expenses		<u>(2)</u>	<u>465</u>
DECREASE IN NET DEBT	184,147	296,304	198,240
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>958,588</u>	<u>958,588</u>	<u>760,348</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 1,142,735</u>	<u>\$ 1,254,892</u>	<u>\$ 958,588</u>

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ 521,449	\$ 260,258
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	373,628	369,515
Gain(loss) on sale of tangible capital assets	<u>(3,488)</u>	<u>2,981</u>
	891,589	632,754
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivables	(24,869)	68,888
Decrease(increase) in trade and other receivables	(5,508)	91,144
Decrease(increase) in receivables from other governments	328,860	(312,729)
Decrease(increase) in deposits on asset acquisitions	(5,800)	
Decrease(increase) in prepaid expenses	(2)	465
Decrease(increase) in land held for resale	8,022	(530,085)
Increase(decrease) in accounts payable and accrued liabilities	(40,890)	(25,690)
Increase(decrease) in deposit liabilities	60,395	(1,400)
Increase(decrease) in deferred revenue	(64,250)	(188,245)
Increase(decrease) in employee benefit obligations	<u>599</u>	<u>6,884</u>
Cash provided by (applied to) operating transactions	<u>1,148,146</u>	<u>(258,014)</u>
CAPITAL		
Acquisition of tangible capital assets	(619,302)	(582,155)
Proceeds on sale of tangible capital assets	<u>24,019</u>	<u>147,176</u>
Cash provided by (applied to) capital transactions	<u>(595,283)</u>	<u>(434,979)</u>
FINANCING		
Proceeds from loans		744,337
Long term debt repaid	<u>(161,519)</u>	<u>(154,011)</u>
Cash provided by (applied to) financing transactions	<u>(161,519)</u>	<u>590,326</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	391,344	(102,667)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>842,047</u>	<u>944,714</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,233,391</u>	<u>\$ 842,047</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	<u>\$ 1,233,391</u>	<u>\$ 842,047</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,233,391</u>	<u>\$ 842,047</u>

TOWN OF TROCHU
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 1

	Land	Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2016	2015
COST:								
BALANCE, BEGINNING OF YEAR	\$ 200,420	\$ 231,293	\$ 1,219,646	\$ 12,350,846	\$ 977,924	\$ 518,666	\$ 15,498,795	\$ 15,084,399
Acquisition of tangible capital assets		6,611		538,662	30,623		575,896	525,133
Construction-in-progress				43,405			43,405	57,021
Disposal of tangible capital assets				(32,158)	(41,602)	(2,800)	(76,560)	(167,758)
BALANCE, END OF YEAR	<u>200,420</u>	<u>231,293</u>	<u>1,226,257</u>	<u>12,900,755</u>	<u>966,945</u>	<u>515,866</u>	<u>16,041,536</u>	<u>15,498,795</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		159,879	811,051	6,232,782	443,567	241,197	7,888,476	7,536,562
Annual amortization		6,021	34,712	221,389	66,116	45,390	373,628	369,515
Accumulated amortization on disposals				(14,473)	(38,758)	(2,800)	(56,031)	(17,601)
BALANCE, END OF YEAR		<u>165,900</u>	<u>845,763</u>	<u>6,439,698</u>	<u>470,925</u>	<u>283,787</u>	<u>8,206,073</u>	<u>7,888,476</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 200,420</u>	<u>\$ 65,393</u>	<u>\$ 380,494</u>	<u>\$ 6,461,057</u>	<u>\$ 496,020</u>	<u>\$ 232,079</u>	<u>\$ 7,835,463</u>	<u>\$ 7,610,319</u>

TOWN OF TROCHU
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2016
Schedule 2

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	\$ 1,254,562	\$ 1,239,416	\$ 1,212,856
Linear property taxes	41,096	46,558	47,434
Government grants in place of taxes	<u>8,252</u>	<u>9,531</u>	<u>9,861</u>
	<u>1,303,910</u>	<u>1,295,505</u>	<u>1,270,151</u>
REQUISITIONS			
Alberta School Foundation Fund	236,654	236,653	233,417
Golden Hills Lodge	<u>1,600</u>	<u>1,463</u>	<u>1,426</u>
	<u>238,254</u>	<u>238,116</u>	<u>234,843</u>
NET MUNICIPAL TAXES	<u>\$ 1,065,656</u>	<u>\$ 1,057,389</u>	<u>\$ 1,035,308</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016
Schedule 3

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING			
Provincial government	\$ 97,000	\$ 62,585	\$ 69,278
Local governments	<u>197,700</u>	<u>297,967</u>	<u>307,474</u>
	<u>294,700</u>	<u>360,552</u>	<u>376,752</u>
TRANSFERS FOR CAPITAL			
Provincial government		429,420	343,546
Federal government		6,609	114,455
Local governments		<u>112,391</u>	<u>114,455</u>
		<u>548,420</u>	<u>458,001</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 294,700</u>	<u>\$ 908,972</u>	<u>\$ 834,753</u>

TOWN OF TROCHU
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 4

	Budget (Unaudited)	2016	2015
<hr/>			
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 980,680	\$ 963,428	\$ 913,402
Contracted and general services	865,865	848,178	947,093
Materials, goods, supplies and utilities	483,324	401,386	409,063
Provision for allowances	2,500	16,065	3,446
Transfers to other governments	10,000	9,724	9,724
Transfers to individuals and organizations	49,000	15,715	47,660
Bank charges and short term interest	4,000	2,900	3,670
Interest on long term debt	32,200	35,889	31,109
Amortization of tangible capital assets		373,628	369,515
Loss on disposal of tangible capital assets		17,687	4,731
Other expenses	3,800	6,034	219,649
	<u>\$ 2,431,369</u>	<u>\$ 2,690,634</u>	<u>\$ 2,959,062</u>

TOWN OF TROCHU
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2016

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	\$ 896,515	\$ 790,560	\$ 6,881,904	\$ 8,568,979	\$ 8,308,721
Excess (deficiency) of revenues over expenses	521,449			521,449	260,258
Unrestricted funds designated for future use	(25,000)	25,000			
Restricted funds used for operations	1,460	(1,460)			
Restricted funds used for tangible capital assets	(617,204)	(2,098)	2,098		
Current year funds used for tangible capital assets	20,531	617,204	(20,531)		
Disposal of tangible capital assets	373,628	(373,628)	(373,628)		
Annual amortization expense	(149,543)		149,543		
Long term debt repaid					
Change in accumulated surplus	125,321	21,442	374,686	521,449	260,258
BALANCE, END OF YEAR	\$ 1,021,836	\$ 812,002	\$ 7,256,590	\$ 9,090,428	\$ 8,568,979

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Trochu 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 consolidated 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 the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town 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.

Significant financial statement areas requiring the use of management estimates include:

- Employee benefits obligations;
- Useful life of tangible capital assets;
- Accrued liabilities
- Fair value of contributed tangible capital assets

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit with financial institutions.

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

f) 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.

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.

g) 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective function.

h) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

i) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established annually by Town Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

j) 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.

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

k) Contributions

Contributions received from third parties are recognized as revenue when the related expenditures have been incurred.

l) 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 consolidated Change in Net Financial Assets (Debt) 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:

	YEARS
Land improvements	10 to 45
Buildings	25 to 50
Engineering structures	
Water system	45 to 75
Wastewater system	45 to 75
Other engineered structures	5 to 75
Machinery and equipment	5 to 40
Vehicles	10 to 40

One-half of the annual amortization is charged in the year of acquisition. 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 of 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 TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Cash	\$ <u>1,233,391</u>	\$ <u>842,047</u>

The ATB Financial pays prime less 2.1% on deposits of less the \$750,000 and prime less 2% on deposits of more then \$750,000 on the funds maintained in the Town's general bank account.

Of the cash and temporary investments \$68,219 (2015 - \$7,824) is considered restricted cash and not available for general use as it relates to deposits received.

Of the cash, \$429,065 (2015 - \$544,501) is considered restricted cash and not available for general use as it relates to conditional government grant revenue and other conditional contributions that have not yet been expended for the purposes intended.

The Town has a revolving line of credit with ATB Financial in the amount of \$238,000, interest at prime rate. As of December 31, 2016 \$0 was outstanding.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Current taxes and grants in place receivables	\$ 80,057	\$ 64,359
Arrears taxes	<u>102,165</u>	<u>79,740</u>
	182,222	144,099
Less: allowance for doubtful accounts	<u>(27,985)</u>	<u>(14,731)</u>
	<u>\$ 154,237</u>	<u>\$ 129,368</u>

4. INVESTMENTS

	2016		2015	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>

5. DEPOSITS ON ASSET ACQUISITIONS

During the year the Town paid a deposit on the acquisition of certain land that the Town intends to purchase for which the purchase conditions have not yet been met as at December 31, 2016.

6. DEPOSIT LIABILITIES

The Town maintains utility deposits of \$7,224 (\$7,824 - 2015) and maintains a funds for the Trochu Food Bank in the amount of \$60,995 (Nil - 2015).

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

7. DEFERRED REVENUE

	<u>2016</u>	<u>2015</u>
Alberta Municipal Sustainability Initiative Program	\$ 391,522	\$ 505,790
Federal Gas Tax Fund	51,186	
Walking Trails Project - Donations	17,868	18,381
Fire Department - Donation	8,886	8,886
Donations - Ace Project	4,900	4,900
TD Friends of the Environment - Spray Park Project	3,973	3,973
Choose Well Program Grant	1,916	1,916
TD Friends of the Environment - Tree Replacement Project	<u> </u>	<u>655</u>
	<u>\$ 480,251</u>	<u>\$ 544,501</u>

Alberta Municipal Sustainability Initiative

Provincial government funding was received in the current year to undertake certain eligible infrastructure expenditures within the Town and in co-operation with neighbouring municipalities, that have not yet been expended.

Federal Gas Tax Fund

Federal and provincial government funding was received or considered receivable in the current year to undertake certain eligible environmentally sustainable projects within the Town that have not yet been expended.

Walking Trails - Donations

The Town received certain donations and contributions from community members and organizations to construct walking trails throughout the community.

Fire Department - Donation

The Town received a contribution of funds to be used for future fire department equipment replacements.

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

8. EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
Vacation pay payable	\$ 7,883	\$ 6,645
Vested sick leave payable	24,609	24,430
Banked time payable		818
	\$ 32,492	\$ 31,893

Vacation pay payable

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

Vested sick leave payable

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred to future years.

9. LONG TERM DEBT

	2016	2015
Tax supported debentures	\$ 557,173	\$ 584,100
Tax supported loans	578,873	713,465
	\$ 1,136,046	\$ 1,297,565

The current portion of the long-term debt amounts to \$115,104 (2015 - \$143,764)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2017	\$ 115,104	\$ 34,872	\$ 149,976
2018	115,767	31,680	147,447
2019	94,201	27,821	122,022
2020	94,615	25,120	119,735
2021	64,987	21,708	86,695
Thereafter	651,372	231,216	882,588
	\$ 1,136,046	\$ 372,417	\$ 1,508,463

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at a rate of 3.127% per annum and matures in June 2045. Debenture debt is issued on the credit and security of the Town of Trochu at large.

The ATB Financial municipal business loans are due on demand, bear interest at bank prime rate and are repayable in annual principal payments of \$7,000, \$8,055, \$16,000, \$18,812 and \$50,000 plus monthly interest payments as well as blended monthly payments of \$1,650.

Interest on long-term debt amounted to \$35,889 (2015 - \$31,109).

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
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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 Trochu be disclosed as follows:

	<u>2016</u>	<u>2015</u>
Total debt limit	\$ 3,995,495	\$ 4,052,070
Total debt	<u>1,136,046</u>	<u>1,297,566</u>
Amount of debit limit unused	<u>\$ 2,859,449</u>	<u>\$ 2,754,504</u>
Debt servicing limit	\$ 665,916	\$ 675,345
Debt servicing	<u>149,976</u>	<u>183,818</u>
Amount of debt servicing limit unused	<u>\$ 515,940</u>	<u>\$ 491,527</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Tangible capital assets	\$ 16,041,536	\$ 15,498,795
Accumulated amortization	(8,206,073)	(7,888,476)
Long-term debt (Note 9)	<u>(578,873)</u>	<u>(728,415)</u>
	<u>\$ 7,256,590</u>	<u>\$ 6,881,904</u>

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
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12. ACCUMULATED SURPLUS

	2016	2015
Unrestricted surplus	\$ 1,021,836	\$ 896,515
Restricted surplus:		
General	510,336	510,336
Dr. Hay memorial fund	100,000	100,000
Administrative	400	2,498
Recognition and appreciation	5,275	5,275
Fire	73,340	73,340
Water	34,004	29,004
Wastewater	16,726	16,726
Waste management	37,000	17,000
Subdivision land and development	14,985	16,446
Administrative salaries	19,936	19,935
Equity in tangible capital assets	7,256,590	6,881,904
	\$ 9,090,428	\$ 8,568,979

13. SALARY AND BENEFITS

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

	2016			2015	
	Salary	Benefits & allowances	Total		
				Total	
Councillors:					
Councillor Cunningham	\$ 8,110	\$ 98	\$ 8,208	\$ 8,163	
Councillor Garneau	8,235	103	8,338	7,498	
Councillor Kletke	12,480	245	12,725	12,990	
Councillor Lumley	10,035	160	10,195	9,548	
Councillor Reeds	7,185	75	7,260	7,441	
Councillor Stephan	4,960	13	4,973	4,669	
Councillor Warnock	8,085	109	8,194	11,491	
Chief Administrative Officer	92,873	18,879	111,752	109,135	

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

2. Employer's share of all employee benefits and contributions or payments 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 TROCHU
NOTES TO FINANCIAL STATEMENTS
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14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$71,628 (2015 - \$64,288). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2016 were \$65,597 (2015 - \$58,894).

At December 31, 2015, the LAPP disclosed an actuarial deficit of \$923 million. This amount is not specifically allocated to the participating government organizations. The 2016 actuarial balance was not available at the date these financial statements were released.

15. CONTINGENCIES

The Town is a member of the Alberta Local Authorities Reciprocal 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.

The Town was a member of a reciprocal insurance agreement known as the Alberta Local Authorities Reciprocal Insurance Exchange (ALARIE) which was dissolved on December 31, 2002. ALARIE has accumulated certain funds in excess of the cost of purchasing liability insurance and any residual balance remaining will be refunded to participants. It does not appear that the Town will be entitled to any refund amount.

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

TOWN OF TROCHU
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17.BUDGET AMOUNTS

The 2016 budget for the Town was approved by council and has been reported in the consolidated financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

18.COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

19.APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
