



*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA
*Barry D. Gitzel, CPA, CA (Associate) *Robert J. Krejci, CA (Associate)

TOWN OF TROCHU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

TOWN OF TROCHU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Page
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Financial Assets (Debt)	5
Statement of Cash Flows	6
Schedule 1 – Changes in Accumulated Surplus	7
Schedule 2 – Schedule of Tangible Capital Assets	8
Schedule 3 – Property and Other Taxes	9
Schedule 4 – Government Transfers	9
Schedule 5 – Expenses by Object	10
Schedule 6 - Segmented Disclosure	11
Notes to Financial Statements	12 - 22

INDEPENDENT AUDITORS' REPORT

TO: The Members
Town of Trochu

Opinion

We have audited the financial statements of Town of Trochu, which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the town as at December 31, 2018, the results of its operations, change in accumulated surplus 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with 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 ability of the town 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 purposes of expressing an opinion on the effectiveness of the town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stettler, Alberta
April 23, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF TROCHU
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 1,340,502	\$ 1,631,734
Taxes and grants in place of taxes receivables (Note 4)	159,886	209,265
Trade and other receivables	285,776	214,566
Receivables from other governments	88,154	23,272
Land held for resale	1,318,324	1,318,324
Long-term investments (Note 5)	<u>10</u>	<u>10</u>
	<u>3,192,652</u>	<u>3,397,171</u>
LIABILITIES		
Accounts payable and accrued liabilities	231,804	93,663
Deposit liabilities (Note 6)	72,386	71,271
Deferred revenue (Note 7)	1,585,359	1,197,763
Employee benefit obligations (Note 8)	48,277	39,144
Long-term debt (Note 9)	<u>1,018,192</u>	<u>1,004,589</u>
	<u>2,956,018</u>	<u>2,406,430</u>
NET FINANCIAL ASSETS (DEBT)	<u>236,634</u>	<u>990,741</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	9,264,542	8,934,387
Prepaid expenses	<u>-</u>	<u>73</u>
	<u>9,264,542</u>	<u>8,934,460</u>
ACCUMULATED SURPLUS (Schedule 1, Note 12)	\$ <u>9,501,176</u>	\$ <u>9,925,201</u>
Contingencies Note 15		

APPROVED ON BEHALF OF THE TOWN COUNCIL:


 _____ Mayor

TOWN OF TROCHU

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,109,355	\$ 1,104,209	\$ 1,087,415
Government transfers for operating (Schedule 4)	275,537	274,998	332,728
Sales of goods and user fees	979,354	1,089,294	982,743
Investment income	7,060	24,435	14,103
Franchise and concession contracts	100,000	118,231	120,000
Penalties and costs of taxes	43,500	53,722	45,073
Licenses and permits	1,650	2,124	1,940
Gain on disposal of tangible capital assets	-	-	24,733
Other	72,929	8,750	8,536
Total Revenue	<u>2,589,385</u>	<u>2,675,763</u>	<u>2,617,271</u>
EXPENSES (Schedule 5)			
Legislative	93,000	102,882	88,804
Administration	531,970	566,905	463,380
Fire, ambulance and bylaws enforcement	86,900	102,815	104,404
Transportation	425,550	691,596	577,448
Water supply and distribution	597,650	745,613	586,921
Wastewater treatment and disposal	64,800	101,286	82,743
Waste management	200,520	216,418	206,351
Family and community support	10,000	9,724	16,542
Land use planning, zoning and development	95,754	144,171	78,307
Subdivision land and development	45,800	50,450	56,128
Recreation and parks	299,410	355,042	356,334
Culture	141,400	145,020	138,115
Total Expenses	<u>2,592,754</u>	<u>3,231,922</u>	<u>2,755,477</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>(3,369)</u>	<u>(556,159)</u>	<u>(138,206)</u>
OTHER			
Government transfers for capital (Schedule 4)	-	132,134	409,861
Tangible capital assets received as contributions	-	-	580,250
Capital donations and other capital revenue	-	-	7,868
	<u>-</u>	<u>132,134</u>	<u>997,979</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>(3,369)</u>	<u>(424,025)</u>	<u>859,773</u>
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>9,925,201</u>	<u>9,925,201</u>	<u>9,065,428</u>
ACCUMULATED SURPLUS – END OF YEAR	<u>\$ 9,921,832</u>	<u>\$ 9,501,176</u>	<u>\$ 9,925,201</u>

TOWN OF TROCHU

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>(3,369)</u>	\$ <u>(424,025)</u>	\$ <u>859,773</u>
Acquisition of tangible capital assets	-	(804,787)	(1,055,822)
Proceeds on sale of tangible capital assets	-	42,300	164,440
Amortization of tangible capital assets	-	427,874	397,441
(Gain) loss on sale of tangible capital assets	-	4,458	(24,733)
Use (Acquisition) of prepaid expenses	-	73	-
Tangible capital assets received as contributions	<u>-</u>	<u>-</u>	<u>(580,250)</u>
	<u>-</u>	<u>(330,082)</u>	<u>(1,098,924)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(3,369)	(754,107)	(239,151)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>990,741</u>	<u>990,741</u>	<u>1,229,892</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u>987,372</u>	\$ <u>236,634</u>	\$ <u>990,741</u>

TOWN OF TROCHU

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ (424,025)	\$ 859,773
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	427,874	397,441
Loss (gain) on disposal of tangible capital assets	4,458	(24,733)
Tangible capital assets received as contributions	-	(580,250)
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	49,379	(55,028)
Decrease (increase) in trade and other receivables	(71,210)	46,285
Decrease (increase) in receivables from other governments	(64,882)	38,503
Decrease (increase) in deposits on asset acquisitions	-	5,800
Decrease (increase) in prepaid expenses	73	-
Decrease (increase) in land held for resale	-	16,044
Increase (decrease) in accounts payable and accrued liabilities	138,141	19,526
Increase (decrease) in deposit liabilities	1,115	(1,343)
Increase (decrease) in deferred revenue	387,596	692,512
Increase (decrease) in employee benefit obligations	9,133	6,652
Net cash provided by (used in) operating activities	<u>457,652</u>	<u>1,421,182</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(804,787)	(1,055,822)
Proceeds on sale of tangible capital assets	<u>42,300</u>	<u>164,440</u>
Net cash provided by (used in) capital activities	<u>(762,487)</u>	<u>(891,382)</u>
FINANCING ACTIVITIES		
Long term debt repaid	(47,515)	(131,457)
Long term debt acquired	<u>61,118</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>13,603</u>	<u>(131,457)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(291,232)	398,343
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,631,734</u>	<u>1,233,391</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note3)	\$ <u>1,340,502</u>	\$ <u>1,631,734</u>

TOWN OF TROCHU

SCHEDULE 1 –CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE – BEGINNING OF YEAR	\$ <u>628,840</u>	\$ <u>821,745</u>	\$ <u>8,474,616</u>	\$ <u>9,925,201</u>	\$ <u>9,065,428</u>
Excess of revenues over expenses	(424,025)	-	-	(424,025)	859,773
Unrestricted funds designated for future use	(61,000)	61,000	-	-	-
Restricted funds used for operations	82,306	(82,306)	-	-	-
Current year funds used for tangible capital assets	(804,787)	-	804,787	-	-
Disposal of tangible capital assets	46,758	-	(46,758)	-	-
Annual amortization expense	427,874	-	(427,874)	-	-
Capital debt issues for tangible capital assets	61,118	-	(61,118)	-	-
Long term debt repaid	<u>(34,772)</u>	<u>-</u>	<u>34,772</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>(706,528)</u>	<u>(21,306)</u>	<u>303,809</u>	<u>(424,025)</u>	<u>859,773</u>
BALANCE – END OF YEAR	\$ <u>(77,688)</u>	\$ <u>800,439</u>	\$ <u>8,778,425</u>	\$ <u>9,501,176</u>	\$ <u>9,925,201</u>

TOWN OF TROCHU

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
COST:								
BALANCE - BEGINNING OF YEAR	\$ 502,281	\$ 266,826	\$ 1,814,311	\$ 13,399,072	\$ 990,409	\$ 513,467	\$ 17,486,366	\$ 16,041,536
Acquisition of tangible capital assets	-	-	131,174	472,952	77,253	49,627	731,006	1,587,383
Construction-in-progress	-	-	-	73,781	-	-	73,781	48,689
Disposal of tangible capital assets	-	-	-	-	(55,000)	-	(55,000)	(191,242)
BALANCE - END OF YEAR	<u>502,281</u>	<u>266,826</u>	<u>1,945,485</u>	<u>13,945,805</u>	<u>1,012,662</u>	<u>563,094</u>	<u>18,236,153</u>	<u>17,486,366</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	172,810	883,926	6,686,139	483,307	325,797	8,551,979	8,206,073
Annual amortization	-	7,777	52,155	248,551	74,550	44,841	427,874	397,441
Accumulated amortization on disposals	-	-	-	-	(8,242)	-	(8,242)	(51,535)
BALANCE - END OF YEAR	<u>-</u>	<u>180,587</u>	<u>936,081</u>	<u>6,934,690</u>	<u>549,615</u>	<u>370,638</u>	<u>8,971,611</u>	<u>8,551,979</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 502,281</u>	<u>\$ 86,239</u>	<u>\$ 1,009,404</u>	<u>\$ 7,011,115</u>	<u>\$ 463,047</u>	<u>\$ 192,456</u>	<u>\$ 9,264,542</u>	<u>\$ 8,934,387</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 502,281</u>	<u>\$ 94,016</u>	<u>\$ 930,385</u>	<u>\$ 6,712,933</u>	<u>\$ 507,102</u>	<u>\$ 187,670</u>	<u>\$ 8,934,387</u>	

TOWN OF TROCHU

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 1,297,372	\$ 1,298,494	\$ 1,273,336
Linear property taxes	45,343	45,343	44,856
Government grants in lieu of property taxes	<u>8,261</u>	<u>8,261</u>	<u>9,513</u>
	<u>1,350,976</u>	<u>1,352,098</u>	<u>1,327,705</u>
REQUISITIONS			
Alberta School Foundation Fund	239,953	246,153	238,733
Golden Hill Lodge	1,600	1,674	1,557
Designated Industrial Property	<u>68</u>	<u>62</u>	<u>-</u>
	<u>241,621</u>	<u>247,889</u>	<u>240,290</u>
NET MUNICIPAL TAXES	\$ <u>1,109,355</u>	\$ <u>1,104,209</u>	\$ <u>1,087,415</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ 73,029	\$ 73,029	\$ 85,692
Local government	<u>202,508</u>	<u>201,969</u>	<u>247,036</u>
	<u>275,537</u>	<u>274,998</u>	<u>332,728</u>
TRANSFERS FOR CAPITAL			
Provincial government	-	73,781	188,301
Federal government	-	58,353	109,169
Local governments	<u>-</u>	<u>-</u>	<u>112,391</u>
	<u>-</u>	<u>132,134</u>	<u>409,861</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>275,537</u>	\$ <u>407,132</u>	\$ <u>742,589</u>

TOWN OF TROCHU

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,055,160	\$ 1,102,698	\$ 1,011,376
Contracted and general services	890,415	983,072	807,875
Materials, goods, supplies and utilities	505,179	518,093	464,421
Provision for allowances	64,000	49,576	683
Transfers to other governments	10,000	9,724	9,724
Transfers to individuals, organizations and boards	30,000	99,031	28,269
Bank charges and short term interest	4,000	3,481	3,466
Interest on long term debt	33,000	32,255	31,352
Amortization of tangible capital assets	-	427,874	397,441
Loss on disposal of tangible capital assets	-	4,458	-
Other expenditures	<u>1,000</u>	<u>1,660</u>	<u>870</u>
	\$ <u>2,592,754</u>	\$ <u>3,231,922</u>	\$ <u>2,755,477</u>

TOWN OF TROCHU

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protective Services	Transportation Services	Environmental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 1,104,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,104,209
Government transfers	39,236	32,700	58,353	94,589	-	50,252	132,002	407,132
Sales of goods and user fees	6,562	2,840	3,047	967,872	4,350	2,524	102,099	1,089,294
Investment income	24,435	-	-	-	-	-	-	24,435
Franchise and concessions	118,231	-	-	-	-	-	-	118,231
Penalties and cost of taxes	48,272	-	-	5,450	-	-	-	53,722
Other revenues	6,153	1,095	75	-	-	-	3,551	10,874
	<u>1,347,098</u>	<u>36,635</u>	<u>61,475</u>	<u>1,067,911</u>	<u>4,350</u>	<u>52,776</u>	<u>237,652</u>	<u>2,807,897</u>
EXPENSES								
Contracted and general services	141,282	54,574	19,402	656,429	515	48,024	62,846	983,072
Salaries, wages and benefits	389,596	2,000	249,297	209,635	-	35,423	216,747	1,102,698
Materials, goods, supplies and utilities	62,131	29,208	222,663	65,771	-	14,362	123,958	518,093
Transfers - individuals, organizations, boards	-	-	-	-	-	65,117	33,914	99,031
Provision for allowances	49,576	-	-	-	-	-	-	49,576
Transfer to other Governments	-	-	-	-	9,724	-	-	9,724
Bank charges and interest	3,481	-	-	-	-	-	-	3,481
Interest on long term debt	-	-	1,074	-	-	31,181	-	32,255
Loss on disposal of TCA	-	-	4,458	-	-	-	-	4,458
Other expenditures	1,660	-	-	-	-	-	-	1,660
	<u>647,726</u>	<u>85,782</u>	<u>496,894</u>	<u>931,835</u>	<u>10,239</u>	<u>194,107</u>	<u>437,465</u>	<u>2,804,048</u>
NET REVENUE - BEFORE AMORTIZATION	<u>699,372</u>	<u>(49,147)</u>	<u>(435,419)</u>	<u>136,076</u>	<u>(5,889)</u>	<u>(141,331)</u>	<u>(199,813)</u>	<u>3,849</u>
Amortization of tangible capital assets	<u>22,058</u>	<u>17,033</u>	<u>201,752</u>	<u>124,434</u>	<u>-</u>	<u>-</u>	<u>62,597</u>	<u>427,874</u>
NET REVENUE	<u>\$ 677,314</u>	<u>\$ (66,180)</u>	<u>\$ (637,171)</u>	<u>\$ 11,642</u>	<u>\$ (5,889)</u>	<u>\$ (141,331)</u>	<u>\$ (262,410)</u>	<u>\$ (424,025)</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the town and are, therefore, accountable to the 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 basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due with the exception of pension expenditures as disclosed in Note 1(g).

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 public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Use of Estimates - Continued

Amortization is based on the estimated useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(d) 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.

(e) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post – remediation including operation, maintenance and monitoring.

(f) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

(g) Pension Expenditure

The town participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

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

(h) Taxes and Grants in Place of Taxes Receivables

Current and arrears taxes and grants in place of taxes receivables consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(i) Investments

Investments are recorded at cost. 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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(j) Land for Resale

Land held for resale is recorded at the lower of cost and 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.

(k) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments with maturities of less than 6 months at the date of purchase.

(l) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

(m) Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual 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.

(n) 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 (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:

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets - Continued

(i) Tangible Capital Assets - Continued

	YEARS
Land improvements	10 - 45
Buildings	25 - 50
Engineered structures	
Roadway system	5 - 30
Water system	45 - 75
Wastewater system	45 - 75
Other engineered structures	5 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 40

The annual amortization charge in the year of acquisition and in the year of disposal is pro-rated based on the number of days that the asset was owned during the year. 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) Inventories

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

2. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. Management is currently evaluating the effect of adopting these standards on the financial statements.

(a) Section PS 1201 - Financial Statement Presentation

This section provides guidance on general reporting principles and disclosure of information in financial statements. Effective April 1, 2021.

(b) Section PS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency. Effective April 1, 2021.

(c) Section PS 3041 - Portfolio Investments

This section establishes standards on how to account for and report portfolio investments in government financial statements. Effective April 1, 2021.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

2. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED - Continued

(d) Section PS 3450 – Financial Instruments

This section establishes guidance on the recognition, measurement and disclosure requirements for financial instruments. Effective April 1, 2021.

(e) Section PS 3280 – Asset Retirement Obligations

This section establishes standards on how to account for a liability for retirement of a tangible capital asset and will apply in years beginning on or after April 1, 2021.

(f) Section PS 3430 – Restructuring Transactions

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Effective for fiscal periods beginning on or after April 1, 2018

(g) Section PS 3400 – Revenue (effective April 1, 2022)

Effective April 1, 2022, this new section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

3. CASH AND SHORT TERM INVESTMENTS

	2018	2017
Cash	\$ 1,340,502	\$ 1,631,734
	<u>\$ 1,340,502</u>	<u>\$ 1,631,734</u>

Of the cash and temporary investments \$72,386 (2017 - \$71,271) is considered restricted cash and not available for general use as it relates to deposits received.

Of the cash, \$1,315,919 (2017 - \$1,015,268) 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.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current taxes and grants in place of taxes	\$ 97,909	\$ 89,535
Arrears taxes and grants in place of taxes	<u>61,977</u>	<u>148,076</u>
	159,886	237,611
Less: allowance for doubtful accounts	<u>-</u>	<u>(28,346)</u>
	<u>\$ 159,886</u>	<u>\$ 209,265</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

5. INVESTMENTS

	2018	2017
A.M.F.C. shares, at cost	\$ <u>10</u>	\$ <u>10</u>

6. DEPOSIT LIABILITIES

The Town maintains utility deposits of \$5,724 (2017 - \$6,825) and maintains the funds for the Trochu Food Bank in the amount of \$66,662 (2017 - \$64,446).

7. DEFERRED REVENUE

	2018	2017
Alberta Municipal Sustainability Initiative Program	\$ 973,974	\$ 673,323
Alberta Municipal Water / Wastewater Partnership	341,945	341,945
Kneehill County – Regional Urban Sustainability Grant	70,429	70,429
Walking Trails Project – Donation	2,912	10,000
Fire Department – Donation	8,886	8,886
Ace Project – Donation	4,876	4,900
TD Friends of the Environment – Spray Park Project	421	3,973
Centennial Celebration Funds – Donations	-	2,391
Choose Well Program Grant	1,916	1,916
Unearned Revenue - Wastewater	<u>180,000</u>	<u>80,000</u>
	\$ <u>1,585,359</u>	\$ <u>1,197,763</u>

8. EMPLOYEE BENEFIT OBLIGATIONS

	2018	2017
Vacation pay payable	\$ 20,705	\$ 13,873
Vested sick leave payable	<u>27,572</u>	<u>25,271</u>
	\$ <u>48,277</u>	\$ <u>39,144</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

9. LONG TERM DEBT

	2018	2017
Tax supported debentures	\$ 532,075	\$ 544,818
Tax supported loans - capital	<u>486,117</u>	<u>459,771</u>
	<u>\$ 1,018,192</u>	<u>\$ 1,004,589</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 157,369	\$ 32,116	\$ 189,485
2020	91,783	28,727	120,510
2021	77,210	25,375	102,585
2022	42,651	22,565	65,216
2023	43,106	21,035	64,141
Thereafter	<u>606,073</u>	<u>202,269</u>	<u>808,342</u>
	<u>\$ 1,018,192</u>	<u>\$ 332,087</u>	<u>\$ 1,350,279</u>

Debenture debt is repayable to the Alberta Capital Finance Authority in semi-annual payments of \$14,841 and bears interest at a rate of 3.127% per annum, maturing in June 2045. Debentures 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 \$50,000, \$16,000, \$9,974 and \$2,250 plus monthly interest payments and mature to dates between December 2021 and November 2032.

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 municipality be disclosed as follows:

	2018	2017
Total debt limit	\$ 3,926,115	\$ 3,925,907
Total debt	<u>1,018,192</u>	<u>1,004,589</u>
Total debt limit available	<u>2,907,923</u>	<u>2,921,318</u>
Debt service limit	654,353	654,318
Debt service	<u>189,485</u>	<u>128,850</u>
Debt service limit available	<u>\$ 464,868</u>	<u>\$ 525,468</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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible capital assets (Schedule 2)	\$ 18,236,153	\$ 17,486,366
Accumulated amortization (Schedule 2)	(8,971,611)	(8,551,979)
Long-term debt (Note 9)	<u>(486,117)</u>	<u>(459,771)</u>
	\$ <u>8,778,425</u>	\$ <u>8,474,616</u>

12. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2018	2017
Unrestricted surplus (deficit)	\$ (77,688)	\$ 628,840
Restricted surplus:		
General	510,336	510,336
Dr. Hay memorial fund	40,000	100,000
Administrative	400	400
Recognition and appreciation	3,286	4,675
Fire	73,340	73,340
Trochu golf irrigation	11,086	-
Tree	1,000	-
Water	39,347	24,347
Wastewater	9,723	16,726
Waste management	77,000	57,000
Subdivision land and development	14,985	14,985
Administrative salaries	19,936	19,936
Equity in tangible capital assets (Note 11)	<u>8,778,425</u>	<u>8,474,616</u>
	\$ <u>9,501,176</u>	\$ <u>9,925,201</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

13. SALARY & BENEFITS DISCLOSURE

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

	2018			2017
	Salary(1)	Benefits Allowances(2)	Total	Total
Councillor Armstrong	\$ 8,840	\$ 120	\$ 8,960	\$ 2,555
Councillor Cunningham	9,295	-	9,295	7,852
Councillor Garneau	-	-	-	5,889
Councillor Kletke	13,005	257	13,262	10,841
Councillor Lumley	10,275	167	10,442	8,386
Councillor Munro	12,650	246	12,896	2,994
Councillor Reeds	11,330	235	11,565	6,848
Councillor Stephan	6,540	52	6,592	4,610
Councillor Warnock	-	-	-	5,309
Chief Administrative Officer	\$ 95,967	\$ 20,300	\$ 116,267	\$ 115,121

(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.

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Trochu participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 259,714 people and about 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

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

The Town of Trochu is required to make current service contributions to the Plan of 10.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.84% for the excess. Employees of the Town of Trochu are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

14. LOCAL AUTHORITIES PENSION PLAN - Continued

Total current and past service contributions by the Town of Trochu to the Local Authorities Pension Plan in 2018 were \$68,872 (2017 - \$67,184). Total current and past service contributions by the employees of the Town of Trochu to the Local Authorities Pension Plan in 2018 were \$55,935 (2017 - \$61,564).

At December 31, 2017, the Plan disclosed an actuarial surplus of \$4.835 billion (2016 - a deficiency of \$637 million).

15. CONTINGENCIES

The Town of Trochu is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Trochu 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.

16. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The town's financial instruments consist of cash, receivables, long term investments, accounts payable and deposit liabilities. In management's opinion these financial instruments are not exposed to significant interest rate or currency risks.

The town is exposed to various risks through its financial instruments. The following analysis provides a measure of the town's risk exposure and concentrations at the balance sheet date.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that the town is not exposed to significant currency or other price risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. 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 town has a concentration of credit risk with one customer. The large number and diversity of taxpayers and customers minimizes the credit risk. The carrying value of accounts receivable reflects management's assessment of credit risk.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

16. FINANCIAL INSTRUMENTS - Continued

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The town has fixed rate investments and long-term debt which are subject to fair value risk, as the value will fluctuate as a result of changes in market rates.

Operating Lines of Credit

At December 31, 2018 the town had a municipal revolving loan with an approved limit of \$238,000 (2017 - \$238,000) of which \$NIL (2017 - \$NIL) had been drawn down. The revolving loan bears interest at prime plus 0.25%.

17. SEGMENTED DISCLOSURE

The Town of Trochu provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

18. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2018 are for information purposes only and have not been audited.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.