

TOWN OF TROCHU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Trochu is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the town's financial position as at December 31, 2020 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The town Council carries out its responsibilities for review of the financial statements principally through council meetings. They meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to Council with and without the presence of management. The town Council has approved the financial statements.

The financial statements have been audited by Gitzel & Company, Chartered Professional Accountants, independent external auditors appointed by the town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the town's financial statements.



Chief Administrative Officer

April 12, 2021

Date



*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council
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, 2020 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, 2020, the results of its operations, change in its net financial assets (debt) 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 12, 2021


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF TROCHU
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ (243,697)	\$ 1,123,252
Taxes and grants in place of taxes receivables (Note 4)	130,061	181,157
Trade and other receivables	215,143	183,084
Receivables from other governments (Note 5)	1,392,258	89,423
Long-term investments	<u>-</u>	<u>10</u>
	<u>1,493,765</u>	<u>1,576,926</u>
 LIABILITIES		
Revolving line of credit (Note 16)	20,000	-
Accounts payable and accrued liabilities	480,667	168,761
Deposit liabilities (Note 6)	89,642	71,384
Deferred revenue (Note 7)	621,904	1,355,485
Employee benefit obligations (Note 8)	49,677	52,043
Long-term debt (Note 9)	<u>752,214</u>	<u>835,824</u>
	<u>2,014,104</u>	<u>2,483,497</u>
 NET FINANCIAL ASSETS (DEBT)	 <u>(520,339)</u>	 <u>(906,571)</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	11,251,394	8,898,211
Prepaid expenses	50,458	-
Land held for resale	<u>1,459,470</u>	<u>1,460,666</u>
	<u>12,761,322</u>	<u>10,358,877</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 12)	 <u>\$ 12,240,983</u>	 <u>\$ 9,452,306</u>

Contingencies Note 15

APPROVED ON BEHALF OF THE TOWN COUNCIL:


 _____ Mayor

TOWN OF TROCHU

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,153,820	\$ 1,159,816	\$ 1,131,274
Government transfers for operating (Schedule 4)	463,116	387,970	301,249
Sales of goods and user fees	1,251,650	1,232,190	1,516,601
Investment income	7,020	7,268	23,561
Franchise and concession contracts	115,000	128,678	119,140
Penalties and costs of taxes	38,500	40,626	44,483
Licenses and permits	1,650	1,712	1,434
Gain on disposal of tangible capital assets	200	47,623	53,588
Transfer from local boards	-	-	134,001
Other	<u>2,800</u>	<u>5,458</u>	<u>3,938</u>
Total Revenue	<u>3,033,756</u>	<u>3,011,341</u>	<u>3,329,269</u>
EXPENSES (Schedule 5)			
Legislative	136,400	78,537	156,450
Administration	515,330	502,686	527,396
Fire, ambulance and bylaws enforcement	97,300	136,247	79,842
Transportation	464,100	788,566	691,120
Water supply and distribution	635,100	833,041	658,195
Wastewater treatment and disposal	66,100	82,722	87,530
Waste management	190,950	233,182	205,382
Family and community support	11,500	12,370	10,074
Land use planning, zoning and development	84,125	112,893	250,555
Subdivision land and development	178,000	38,322	156,147
Recreation and parks	244,100	351,088	484,550
Culture	<u>135,877</u>	<u>195,569</u>	<u>157,200</u>
Total Expenses	<u>2,758,882</u>	<u>3,365,223</u>	<u>3,464,441</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>274,874</u>	<u>(353,882)</u>	<u>(135,172)</u>
OTHER			
Government transfers for capital (Schedule 4)	<u>3,904,250</u>	<u>3,142,559</u>	<u>84,361</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 4,179,124</u>	2,788,677	(50,811)
ACCUMULATED SURPLUS – BEGINNING OF YEAR		<u>9,452,306</u>	<u>9,503,117</u>
ACCUMULATED SURPLUS – END OF YEAR		<u>\$ 12,240,983</u>	<u>\$ 9,452,306</u>

TOWN OF TROCHU

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>4,179,124</u>	\$ <u>2,788,677</u>	\$ <u>(50,811)</u>
Acquisition of tangible capital assets	(3,540,000)	(2,814,671)	(166,750)
Proceeds on sale of tangible capital assets	-	67,499	145,105
Amortization of tangible capital assets	-	437,685	441,564
(Gain) loss on sale of tangible capital assets	-	(43,696)	(53,588)
Use (Acquisition) of prepaid expenses	-	(50,458)	-
Sale (Acquisition) of land held for resale	<u>-</u>	<u>1,196</u>	<u>(142,342)</u>
	<u>(3,540,000)</u>	<u>(2,402,445)</u>	<u>223,989</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	639,124	386,232	173,178
NET FINANCIAL ASSETS (DEBT)			
- BEGINNING OF YEAR	<u>(906,571)</u>	<u>(906,571)</u>	<u>(1,079,749)</u>
NET FINANCIAL ASSETS (DEBT)			
- END OF YEAR	\$ <u><u>(267,447)</u></u>	\$ <u><u>(520,339)</u></u>	\$ <u><u>(906,571)</u></u>

TOWN OF TROCHU

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 2,788,677	\$ (50,811)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	437,685	441,564
Loss (gain) on disposal of tangible capital assets	(43,696)	(53,588)
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	51,096	(21,271)
Decrease (increase) in trade and other receivables	(32,059)	44,633
Decrease (increase) in receivables from other governments	(1,302,835)	(1,269)
Decrease (increase) in prepaid expenses	(50,458)	-
Decrease (increase) in land held for resale	1,196	(142,342)
Decrease (increase) in long-term investments	10	-
Increase (decrease) in accounts payable and accrued liabilities	311,906	(63,043)
Increase (decrease) in revolving line of credit	20,000	-
Increase (decrease) in deposit liabilities	18,258	(1,002)
Increase (decrease) in deferred revenue	(733,581)	(229,874)
Increase (decrease) in employee benefit obligations	(2,366)	3,766
Net cash provided by (used in) operating activities	<u>1,463,833</u>	<u>(73,237)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,814,671)	(166,750)
Proceeds on sale of tangible capital assets	<u>67,499</u>	<u>145,105</u>
Net cash provided by (used in) capital activities	<u>(2,747,172)</u>	<u>(21,645)</u>
FINANCING ACTIVITIES		
Long term debt repaid	(83,610)	(182,368)
Long term debt acquired	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(83,610)</u>	<u>(182,368)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(1,366,949)	(277,250)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,123,252</u>	<u>1,400,502</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note3)	\$ <u>(243,697)</u>	\$ <u>1,123,252</u>

TOWN OF TROCHU

SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE – BEGINNING OF YEAR	\$ 27,961	\$ 843,028	\$ 8,581,317	\$ 9,452,306	\$ 9,503,117
Excess of revenues over expenses	2,788,677	-	-	2,788,677	(50,811)
Unrestricted funds designated for future use	(105,935)	105,935	-	-	-
Restricted funds used for operations	8,761	(8,761)	-	-	-
Restricted funds used for tangible capital assets	-	(73,340)	73,340	-	-
Current year funds used for tangible capital assets	(2,741,331)	-	2,741,331	-	-
Disposal of tangible capital assets	23,803	-	(23,803)	-	-
Annual amortization expense	437,685	-	(437,685)	-	-
Long term debt repaid	(70,050)	-	70,050	-	-
Change in accumulated surplus	341,610	23,834	2,423,233	2,788,677	(50,811)
BALANCE – END OF YEAR	\$ 369,571	\$ 866,862	\$ 11,004,550	\$ 12,240,983	\$ 9,452,306

TOWN OF TROCHU

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2020	2019
COST:								
BALANCE - BEGINNING OF YEAR	\$ 484,008	\$ 265,408	\$ 1,886,494	\$ 13,983,227	\$ 1,064,397	\$ 563,094	\$ 18,246,628	\$ 18,236,153
Acquisition of tangible capital assets	-	-	-	-	7,500	157,500	165,000	134,768
Construction-in-progress	-	-	-	2,649,671	-	-	2,649,671	31,982
Disposal of tangible capital assets	-	-	-	-	(7,299)	(74,894)	(82,193)	(156,275)
BALANCE - END OF YEAR	<u>484,008</u>	<u>265,408</u>	<u>1,886,494</u>	<u>16,632,898</u>	<u>1,064,598</u>	<u>645,700</u>	<u>20,979,106</u>	<u>18,246,628</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	186,953	932,458	7,204,236	605,792	418,978	9,348,417	8,971,611
Annual amortization	-	7,785	53,424	268,135	65,426	42,915	437,685	441,564
Accumulated amortization on disposals	-	-	-	-	(3,373)	(55,017)	(58,390)	(64,758)
BALANCE - END OF YEAR	-	<u>194,738</u>	<u>985,882</u>	<u>7,472,371</u>	<u>667,845</u>	<u>406,876</u>	<u>9,727,712</u>	<u>9,348,417</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 484,008</u>	<u>\$ 70,670</u>	<u>\$ 900,612</u>	<u>\$ 9,160,527</u>	<u>\$ 396,753</u>	<u>\$ 238,824</u>	<u>\$ 11,251,394</u>	<u>\$ 8,898,211</u>
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 484,008</u>	<u>\$ 78,455</u>	<u>\$ 959,476</u>	<u>\$ 6,773,551</u>	<u>\$ 458,605</u>	<u>\$ 144,116</u>	<u>\$ 8,898,211</u>	

TOWN OF TROCHU

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
TAXATION			
Real property taxes	\$ 1,350,708	\$ 1,349,466	\$ 1,327,934
Linear property taxes	50,226	50,226	50,746
Government grants in lieu of property taxes	<u>8,067</u>	<u>8,067</u>	<u>8,166</u>
	<u>1,409,001</u>	<u>1,407,759</u>	<u>1,386,846</u>
REQUISITIONS			
Alberta School Foundation Fund	251,805	244,731	251,799
Golden Hill Lodge	3,212	3,212	3,633
Designated Industrial Property	<u>164</u>	<u>-</u>	<u>40</u>
	<u>255,181</u>	<u>247,943</u>	<u>255,572</u>
NET MUNICIPAL TAXES	\$ <u>1,153,820</u>	\$ <u>1,159,816</u>	\$ <u>1,131,274</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
TRANSFERS FOR OPERATING			
Provincial government	\$ 121,116	\$ 162,942	\$ 109,729
Federal government	-	33,600	-
Local government	<u>342,000</u>	<u>191,428</u>	<u>191,520</u>
	<u>463,116</u>	<u>387,970</u>	<u>301,249</u>
TRANSFERS FOR CAPITAL			
Provincial government	3,904,250	2,942,559	34,361
Federal government	-	-	50,000
Local government	<u>-</u>	<u>200,000</u>	<u>-</u>
	<u>3,904,250</u>	<u>3,142,559</u>	<u>84,361</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>4,367,366</u>	\$ <u>3,530,529</u>	\$ <u>385,610</u>

TOWN OF TROCHU

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget (Unaudited)	2020	2019
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,088,400	\$ 1,091,807	\$ 1,124,890
Contracted and general services	302,480	414,785	582,895
Materials, goods, supplies and utilities	1,160,775	1,271,004	1,193,208
Provision for allowances	6,500	18,753	2,218
Transfers to other governments	10,500	24,178	10,021
Transfers to individuals, organizations and boards	154,227	75,125	75,828
Bank charges and short term interest	4,000	3,878	3,506
Interest on long term debt	32,000	24,081	30,311
Amortization of tangible capital assets	-	437,685	441,564
Loss on disposal of tangible capital assets	-	3,927	-
	<u>\$ 2,758,882</u>	<u>\$ 3,365,223</u>	<u>\$ 3,464,441</u>

TOWN OF TROCHU

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2020

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 1,151,749	\$ 8,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,159,816
Government transfers	115,978	49,990	108,350	2,918,597	-	67,502	270,112	3,530,529
Sales of goods and user fees	7,295	29,460	3,574	1,098,945	9,538	(5,299)	88,677	1,232,190
Investment income	7,268	-	-	-	-	-	-	7,268
Franchise and concessions	128,678	-	-	-	-	-	-	128,678
Penalties and cost of taxes	35,678	-	-	4,948	-	-	-	40,626
Licenses and permits	867	845	-	-	-	-	-	1,712
Gain on disposal of TCA	-	47,323	300	-	-	-	-	47,623
Other revenues	2,783	2,610	65	-	-	-	-	5,458
	<u>1,450,296</u>	<u>138,295</u>	<u>112,289</u>	<u>4,022,490</u>	<u>9,538</u>	<u>62,203</u>	<u>358,789</u>	<u>6,153,900</u>
EXPENSES								
Contracted and general services	52,766	20,555	71,750	185,897	2,209	29,571	52,037	414,785
Salaries, wages and benefits	342,408	3,500	245,991	225,494	-	33,815	240,599	1,091,807
Materials, goods, supplies and utilities	131,954	77,584	248,486	620,517	-	20,193	172,270	1,271,004
Transfers - individuals, organizations, boards	-	-	-	-	-	44,686	30,439	75,125
Provision for allowances	18,753	-	-	-	-	-	-	18,753
Transfer to other Governments	-	14,017	-	-	10,161	-	-	24,178
Bank charges and interest	3,878	-	-	-	-	-	-	3,878
Interest on long term debt	-	-	1,113	-	-	22,948	-	24,081
Loss on disposal of TCA	3,927	-	-	-	-	-	-	3,927
	<u>553,686</u>	<u>115,656</u>	<u>567,360</u>	<u>1,031,908</u>	<u>12,370</u>	<u>151,213</u>	<u>495,345</u>	<u>2,927,538</u>
NET REVENUE - BEFORE AMORTIZATION	896,610	22,639	(455,071)	2,990,582	(2,832)	(89,010)	(136,556)	3,226,362
Amortization of tangible capital assets	27,537	20,592	221,208	117,036	-	-	51,312	437,685
NET REVENUE	<u>\$ 869,073</u>	<u>\$ 2,047</u>	<u>\$ (676,279)</u>	<u>\$ 2,873,546</u>	<u>\$ (2,832)</u>	<u>\$ (89,010)</u>	<u>\$ (187,868)</u>	<u>\$ 2,788,677</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 consolidated 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 consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change 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. Included with the municipality are the following:

- Trochu Housing Corporation

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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(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.

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 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 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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(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.

(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. 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.

(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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(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:

	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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2022.

(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, 2022.

(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, 2022.

(d) Section PS 3450 – Financial Instruments

This section establishes guidance on the recognition, measurement and disclosure requirements for financial instruments. Effective April 1, 2022.

(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, 2022.

(f) Section PS 3400 – Revenue

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. Effective April 1, 2023.

3. CASH AND SHORT TERM INVESTMENTS

	2020	2019
Cash	\$ 55,448	\$ 1,125,252
Bank overdraft	(299,145)	-
	<u>\$ (243,697)</u>	<u>\$ 1,123,252</u>

Of the cash and temporary investments \$(243,697) (2019 - \$71,384) is considered restricted cash and not available for general use as it relates to deposits received.

Of the cash, \$598,119 (2019 - \$1,320,412) 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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2020	2019
Current taxes and grants in place of taxes	\$ 50,376	\$ 117,266
Arrears taxes and grants in place of taxes	<u>79,685</u>	<u>63,891</u>
	130,061	181,157
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	\$ <u><u>130,061</u></u>	\$ <u><u>181,157</u></u>

5. RECEIVABLES FROM OTHER GOVERNMENTS

	2020	2019
Province of Alberta – ICIP Grant	\$ 1,200,000	\$ -
Province of Alberta – AMWWP Grant	50,000	-
Province of Alberta – MCCAC Grant	23,813	-
Province of Alberta – FGTF Grant	-	50,000
Goods and Services Tax refund	118,445	32,469
Local Governments	<u>-</u>	<u>6,954</u>
	\$ <u><u>1,392,258</u></u>	\$ <u><u>89,423</u></u>

6. DEPOSIT LIABILITIES

The Town maintains utility deposits of \$5,724 (2019 - \$5,724) and maintains the funds for the Trochu Food Bank in the amount of \$83,918 (2019 - \$65,660).

7. DEFERRED REVENUE

	2020	2019
Alberta Municipal Sustainability Initiative Program	\$ 370,530	\$ 939,613
Alberta Community Partnership Grants	153,058	38,854
Municipal Operating Support Transfer	62,198	-
Fire Department – Donation	13,476	24,886
Federal Gas Tax Fund	12,333	-
Ace Project – Donation	4,876	4,876
Walking Trails Project – Donation	2,912	2,912
Choose Well Program Grant	1,916	1,916
TD Friends of the Environment – Spray Park Project	421	421
Lotto Club Contributions	184	62
Alberta Municipal Water / Wastewater Partnership	<u>-</u>	<u>341,945</u>
	\$ <u><u>621,904</u></u>	\$ <u><u>1,355,485</u></u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

8. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
Vacation pay payable	\$ 25,495	\$ 23,594
Vested sick leave payable	<u>24,182</u>	<u>28,449</u>
	<u>\$ 49,677</u>	<u>\$ 52,043</u>

9. LONG TERM DEBT

	2020	2019
Tax supported debentures	\$ 505,370	\$ 518,930
Tax supported loans – capital (Note 11)	<u>246,844</u>	<u>316,894</u>
	<u>\$ 752,214</u>	<u>\$ 835,824</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	\$ 74,961	\$ 24,816	\$ 99,777
2022	40,402	22,078	62,480
2023	40,855	20,619	61,474
2024	37,274	19,147	56,421
2025	31,835	18,061	49,896
Thereafter	<u>526,887</u>	<u>160,541</u>	<u>687,428</u>
	<u>\$ 752,214</u>	<u>\$ 265,262</u>	<u>\$ 1,017,476</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 bank prime rate minus 0.25%, are repayable in annual principal payments of \$50,000, \$16,000 and \$9,974 plus monthly interest payments and mature at 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:

	2020	2019
Total debt limit	\$ 4,766,612	\$ 4,993,904
Total debt	<u>752,214</u>	<u>835,824</u>
Total debt limit available	<u>4,014,398</u>	<u>4,158,080</u>
Debt service limit	794,435	832,817
Debt service	<u>99,777</u>	<u>116,657</u>
Debt service limit available	<u>\$ 694,658</u>	<u>\$ 716,160</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

10. DEBT LIMITS - Continued

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

	2020	2019
Tangible capital assets (Schedule 2)	\$ 20,979,106	\$ 18,246,628
Accumulated amortization (Schedule 2)	(9,727,712)	(9,348,417)
Long-term debt (Note 9)	<u>(246,844)</u>	<u>(316,894)</u>
	<u>\$ 11,004,550</u>	<u>\$ 8,581,317</u>

12. ACCUMULATED SURPLUS

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

	2020	2019
Unrestricted surplus (deficit)	\$ 369,571	\$ 27,961
Restricted surplus:		
Administrative salaries	19,936	19,936
Administrative	400	400
Dr. Hay memorial fund	40,000	40,000
Fire	-	73,340
Future expenditures	56,609	-
General	518,336	510,336
Recognition and appreciation	2,987	3,287
Subdivision land and development	14,985	14,985
Tree	1,000	1,000
Trochu golf irrigation	16,539	18,674
Waste management	117,000	97,000
Wastewater	9,723	9,723
Water	69,347	54,347
Equity in tangible capital assets (Note 11)	<u>11,004,550</u>	<u>8,581,317</u>
	<u>\$ 12,240,983</u>	<u>\$ 9,452,306</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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:

	2020			2019
	Salary(1)	Benefits Allowances(2)	Total	Total
Mayor Kletke	\$ 13,380	\$ 697	\$ 14,077	\$ 17,226
Councillor Armstrong	10,255	491	10,746	11,530
Councillor Cunningham	9,425	125	9,550	13,755
Councillor Lumley	9,515	442	9,957	10,374
Councillor Munro	13,165	683	13,848	13,400
Councillor Reeds	9,395	434	9,829	14,924
Councillor Stephan	6,220	83	6,303	6,396
Chief Administrative Officer	\$ 98,838	\$ 20,224	\$ 119,062	\$ 118,946

- (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 274,151 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 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.84% for the excess. Employees of the Town of Trochu are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current and past service contributions by the Town of Trochu to the Local Authorities Pension Plan in 2020 were \$56,603 (2019 - \$63,921). Total current and past service contributions by the employees of the Town of Trochu to the Local Authorities Pension Plan in 2020 were \$62,918 (2019 - \$57,661).

At December 31, 2019, the Plan disclosed an actuarial surplus of \$7.9 billion.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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.

The town is a member of the Drumheller & District Waste Management Association. The town may be liable for a portion of future site reclamation costs if costs prove to be in excess of the Association's restricted surplus. An estimate of this amount cannot be made.

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.

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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

16. FINANCIAL INSTRUMENTS - Continued

Operating Lines of Credit

At December 31, 2020 the town had a municipal revolving loan with an approved limit of \$238,000 (2019 - \$238,000) of which \$20,000 (2019 - \$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, 2020 are for information purposes only and have not been audited.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.