

TOWN OF TROCHU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

TOWN OF TROCHU

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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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, 2021 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 25, 2022

Date



*Peggy Weinzicel, 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, 2021 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes and schedules 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, 2021, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


Stettler, Alberta
April 25, 2022


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF TROCHU
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 1,306,694	\$ (243,697)
Taxes and grants in place of taxes receivables (Note 4)	105,024	130,061
Trade and other receivables	165,545	215,143
Receivables from other governments (Note 5)	<u>145,406</u>	<u>1,392,258</u>
	<u>1,722,669</u>	<u>1,493,765</u>
 LIABILITIES		
Revolving line of credit (Note 16)	-	20,000
Accounts payable and accrued liabilities	224,248	480,667
Deposit liabilities (Note 6)	537,801	89,642
Deferred revenue (Note 7)	531,133	621,904
Employee benefit obligations (Note 8)	50,600	49,677
Long-term debt (Note 9)	<u>674,857</u>	<u>752,214</u>
	<u>2,018,639</u>	<u>2,014,104</u>
 NET FINANCIAL ASSETS (DEBT)	 <u>(295,970)</u>	 <u>(520,339)</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	11,036,203	11,251,394
Prepaid expenses	17,625	50,458
Inventory for consumption	38,931	-
Land held for resale	<u>1,435,404</u>	<u>1,459,470</u>
	12,528,163	12,761,322
 ACCUMULATED SURPLUS (Schedule 1, Note 12)	 \$ <u>12,232,193</u>	 \$ <u>12,240,983</u>
Contingencies Note 15		

APPROVED ON BEHALF OF THE TOWN COUNCIL:


 _____ Mayor

TOWN OF TROCHU

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 1,168,706	\$ 1,172,660	\$ 1,159,816
Government transfers for operating (Schedule 4)	440,667	441,027	387,970
Sales of goods and user fees	1,413,527	1,281,384	1,209,664
Investment income	7,196	465	7,268
Franchise and concession contracts	117,875	124,927	128,678
Penalties and costs of taxes	39,463	29,239	40,626
Licenses and permits	1,669	1,968	1,712
Gain on disposal of tangible capital assets	205	-	47,623
Rentals	32,997	37,499	22,526
Other	<u>18,131</u>	<u>13,670</u>	<u>5,458</u>
Total Revenue	<u>3,240,436</u>	<u>3,102,839</u>	<u>3,011,341</u>
EXPENSES (Schedule 5)			
Legislative	124,838	99,375	78,537
Administration	515,473	535,002	502,686
Fire, ambulance and bylaws enforcement	188,401	135,752	136,247
Transportation	883,635	790,104	788,566
Water supply and distribution	789,528	816,303	833,041
Wastewater treatment and disposal	192,933	159,609	82,722
Waste management	216,594	211,152	233,182
Family and community support	11,763	11,920	12,370
Land use planning, zoning and development	84,747	79,713	112,893
Subdivision land and development	52,048	61,585	38,322
Recreation and parks	399,510	467,229	351,088
Culture	<u>198,775</u>	<u>242,101</u>	<u>195,569</u>
Total Expenses	<u>3,658,245</u>	<u>3,609,845</u>	<u>3,365,223</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>(417,809)</u>	<u>(507,006)</u>	<u>(353,882)</u>
OTHER			
Government transfers for capital (Schedule 4)	<u>515,228</u>	<u>498,216</u>	<u>3,142,559</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	<u>\$ 97,419</u>	<u>(8,790)</u>	<u>2,788,677</u>
ACCUMULATED SURPLUS – BEGINNING OF YEAR		<u>12,240,983</u>	<u>9,452,306</u>
ACCUMULATED SURPLUS – END OF YEAR		<u>\$ 12,232,193</u>	<u>\$ 12,240,983</u>

TOWN OF TROCHU

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>97,419</u>	\$ <u>(8,790)</u>	\$ <u>2,788,677</u>
Acquisition of tangible capital assets	-	(237,423)	(2,814,671)
Proceeds on sale of tangible capital assets	-	-	67,499
Amortization of tangible capital assets	437,686	452,614	437,685
(Gain) loss on sale of tangible capital assets	-	-	(43,696)
Use (Acquisition) of prepaid expenses	-	32,833	(50,458)
Use (Acquisition) of inventory for consumption	-	(38,931)	-
Sale (Acquisition) of land held for resale	-	24,066	1,196
	<u>437,686</u>	<u>233,159</u>	<u>(2,402,445)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	535,105	224,369	386,232
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>(520,339)</u>	<u>(520,339)</u>	<u>(906,571)</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	<u>\$ 14,766</u>	<u>\$ (295,970)</u>	<u>\$ (520,339)</u>

TOWN OF TROCHU

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ (8,790)	\$ 2,788,677
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	452,614	437,685
Loss (gain) on disposal of tangible capital assets	-	(43,696)
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	25,037	51,096
Decrease (increase) in trade and other receivables	49,598	(32,059)
Decrease (increase) in receivables from other governments	1,246,852	(1,302,835)
Decrease (increase) in prepaid expenses	32,833	(50,458)
Decrease (increase) in land held for resale	24,066	1,196
Decrease (increase) in long-term investments	-	10
Decrease (increase) in inventory for consumption	(38,931)	-
Increase (decrease) in accounts payable and accrued liabilities	(256,419)	311,906
Increase (decrease) in revolving line of credit	(20,000)	20,000
Increase (decrease) in deposit liabilities	448,159	18,258
Increase (decrease) in deferred revenue	(90,771)	(733,581)
Increase (decrease) in employee benefit obligations	923	(2,366)
Net cash provided by (used in) operating activities	<u>1,865,171</u>	<u>1,463,833</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(237,423)	(2,814,671)
Proceeds on sale of tangible capital assets	-	67,499
Net cash provided by (used in) capital activities	<u>(237,423)</u>	<u>(2,747,172)</u>
FINANCING ACTIVITIES		
Long term debt repaid	(77,357)	(83,610)
Long term debt acquired	-	-
Net cash provided by (used in) financing activities	<u>(77,357)</u>	<u>(83,610)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	1,550,391	(1,366,949)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>(243,697)</u>	<u>1,123,252</u>
CASH AND CASH EQUIVALENTS - END OF YEAR (Note3)	\$ <u>1,306,694</u>	\$ <u>(243,697)</u>

TOWN OF TROCHU

SCHEDULE 1 -- CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE -- BEGINNING OF YEAR	\$ 369,571	\$ 866,862	\$ 11,004,550	\$ 12,240,983	\$ 9,452,306
Excess of revenues over expenses	(8,790)	-	-	(8,790)	2,788,677
Unrestricted funds designated for future use	(71,098)	71,098	-	-	-
Restricted funds used for operations	36,467	(36,467)	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(237,423)	-	237,423	-	-
Disposal of tangible capital assets	-	-	-	-	-
Annual amortization expense	452,614	-	(452,614)	-	-
Long term capital debt repaid	(63,370)	-	63,370	-	-
Change in accumulated surplus	108,400	34,631	(151,821)	(8,790)	2,788,677
BALANCE -- END OF YEAR	<u>\$ 477,971</u>	<u>\$ 901,493</u>	<u>\$ 10,852,729</u>	<u>\$ 12,232,193</u>	<u>\$ 12,240,983</u>

TOWN OF TROCHU

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Land	Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST:								
BALANCE - BEGINNING OF YEAR	\$ 484,008	\$ 265,408	\$ 1,886,494	\$ 16,632,898	\$ 1,064,598	\$ 645,700	\$ 20,979,106	\$ 18,246,628
Acquisition of tangible capital assets	-	24,000	6,009	86,113	23,500	27,981	167,603	165,000
Construction-in-progress	-	-	68,860	960	-	-	69,820	2,649,671
Disposal of tangible capital assets	-	-	-	-	-	-	-	(82,123)
BALANCE - END OF YEAR	<u>484,008</u>	<u>289,408</u>	<u>1,961,363</u>	<u>16,719,971</u>	<u>1,088,098</u>	<u>673,681</u>	<u>21,216,529</u>	<u>20,979,106</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	194,738	985,882	7,472,371	667,845	406,876	9,727,712	9,348,417
Annual amortization	-	8,389	53,464	283,871	62,051	44,839	452,614	437,685
Accumulated amortization on disposals	-	-	-	-	-	-	-	(58,390)
BALANCE - END OF YEAR	<u>-</u>	<u>203,127</u>	<u>1,039,346</u>	<u>7,756,242</u>	<u>729,896</u>	<u>451,715</u>	<u>10,180,326</u>	<u>9,727,712</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 484,008</u>	<u>\$ 86,281</u>	<u>\$ 922,017</u>	<u>\$ 8,963,729</u>	<u>\$ 358,202</u>	<u>\$ 221,966</u>	<u>\$ 11,036,203</u>	<u>\$ 11,251,394</u>
2020 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>	

TOWN OF TROCHU

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	\$ 1,353,005	\$ 1,356,963	\$ 1,349,466
Linear property taxes	48,770	48,770	50,226
Government grants in lieu of property taxes	<u>8,000</u>	<u>8,000</u>	<u>8,067</u>
	<u>1,409,775</u>	<u>1,413,733</u>	<u>1,407,759</u>
REQUISITIONS			
Alberta School Foundation Fund	237,768	237,772	244,731
Golden Hill Lodge	<u>3,301</u>	<u>3,301</u>	<u>3,212</u>
	<u>241,069</u>	<u>241,073</u>	<u>247,943</u>
NET MUNICIPAL TAXES	\$ <u>1,168,706</u>	\$ <u>1,172,660</u>	\$ <u>1,159,816</u>

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Provincial government	\$ 253,796	\$ 165,905	\$ 162,942
Federal government	54,000	55,722	33,600
Local government	<u>207,432</u>	<u>219,400</u>	<u>191,428</u>
	<u>515,228</u>	<u>441,027</u>	<u>387,970</u>
TRANSFERS FOR CAPITAL			
Provincial government	440,667	498,216	2,942,559
Local government	<u>-</u>	<u>-</u>	<u>200,000</u>
	<u>440,667</u>	<u>498,216</u>	<u>3,142,559</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>955,895</u>	\$ <u>939,243</u>	\$ <u>3,530,529</u>

TOWN OF TROCHU

SCHEDULE 5 -EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,095,717	\$ 1,085,281	\$ 1,091,807
Contracted and general services	661,382	674,805	414,785
Materials, goods, supplies and utilities	1,333,230	1,228,003	1,271,004
Provision for allowances	6,150	(7,124)	18,753
Transfers to other governments	36,476	38,264	24,178
Transfers to individuals, organizations and boards	23,000	96,473	75,125
Bank charges and short term interest	29,975	19,725	3,878
Interest on long term debt	34,629	21,804	24,081
Amortization of tangible capital assets	437,686	452,614	437,685
Loss on disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>3,927</u>
	\$ <u>3,658,245</u>	\$ <u>3,609,845</u>	\$ <u>3,365,223</u>

TOWN OF TROCHU

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 1,172,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,172,660
Government transfers	131,267	52,560	288,767	188,741	-	75,686	202,222	939,243
Sales of goods and user fees	7,822	-	6,288	1,136,489	8,511	41,429	80,845	1,281,384
Investment income	465	-	-	-	-	-	-	465
Franchise and concessions	124,927	-	-	-	-	-	-	124,927
Penalties and cost of taxes	25,377	-	-	3,862	-	-	-	29,239
Licenses and permits	993	975	-	-	-	-	-	1,968
Rentals	5,250	-	1,400	-	-	-	30,849	37,499
Other revenues	8,092	1,847	38	-	-	350	3,340	13,670
	<u>1,476,856</u>	<u>55,382</u>	<u>296,493</u>	<u>1,329,092</u>	<u>8,511</u>	<u>117,465</u>	<u>317,256</u>	<u>3,601,055</u>
EXPENSES								
Contracted and general services	106,010	18,950	206,144	178,337	1,496	23,200	140,668	674,805
Salaries, wages and benefits	330,373	4,000	189,583	244,551	-	30,164	286,610	1,085,281
Materials, goods, supplies and utilities	150,491	56,825	173,800	597,536	-	40,416	208,935	1,228,003
Transfers - individuals, organizations, boards	20,000	-	-	25,568	-	26,544	24,361	96,473
Provision for allowances	(7,124)	-	-	-	-	-	-	(7,124)
Transfer to other Governments	1,587	26,253	-	-	10,424	-	-	38,264
Bank charges and interest	5,312	-	-	14,413	-	-	-	19,725
Interest on long term debt	-	-	830	-	-	20,974	-	21,804
	<u>606,649</u>	<u>106,028</u>	<u>570,357</u>	<u>1,060,405</u>	<u>11,920</u>	<u>141,298</u>	<u>660,574</u>	<u>3,157,231</u>
NET REVENUE - BEFORE AMORTIZATION	<u>870,207</u>	<u>(50,646)</u>	<u>(273,864)</u>	<u>268,687</u>	<u>(3,409)</u>	<u>(23,833)</u>	<u>(343,318)</u>	<u>443,824</u>
Amortization of tangible capital assets	27,728	29,725	219,748	126,658	-	-	48,755	452,614
NET REVENUE	<u>\$ 842,479</u>	<u>\$ (80,371)</u>	<u>\$ (493,612)</u>	<u>\$ 142,029</u>	<u>\$ (3,409)</u>	<u>\$ (23,833)</u>	<u>\$ (392,073)</u>	<u>\$ (8,790)</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

I. 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) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

(f) 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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) 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.

(o) 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, 2021

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 for the fiscal years beginning on or after 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 for the fiscal years beginning on or after 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 for the fiscal years beginning on or after April 1, 2022.

(d) Section PS 3050 - Loans Receivable

This section establishes standards on how to account for and report loans receivable in government financial statements. The standards apply to loans to borrowers outside of the government reporting entity. Effective for the fiscal years beginning on or after April 1, 2022.

(e) Section PS 3160 - Public Private Partnerships

This section establishes standards on accounting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. Effective for the fiscal years beginning on or after April 1, 2023.

(f) Section PS 3450 - Financial Instruments

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

(g) Section PS 3280 - Asset Retirement Obligations

This section establishes standards on how to account for a liability for retirement of a tangible capital asset. Effective for the fiscal years beginning on or after April 1, 2022.

(h) 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 for the fiscal years beginning on or after April 1, 2023.

(i) Section PSG - 8 - Purchased Intangibles

This section establishes standards on how to recognize and record purchased intangibles that meet the definition of an asset. Effective for the fiscal years beginning on or after April 1, 2023.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

3. CASH AND SHORT TERM INVESTMENTS

	2021	2020
Cash	\$ 1,306,694	\$ 55,448
Bank overdraft	<u>-</u>	<u>(299,145)</u>
	<u>\$ 1,306,694</u>	<u>\$ (243,697)</u>

Of the cash and temporary investments \$537,801 (2020 - \$89,642) is considered restricted cash and not available for general use as it relates to deposits received.

Of the cash, \$499,724 (2020 - \$598,119) 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

	2021	2020
Current taxes and grants in place of taxes	\$ 79,284	\$ 50,376
Arrears taxes and grants in place of taxes	<u>25,740</u>	<u>79,685</u>
	105,024	130,061
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 105,024</u>	<u>\$ 130,061</u>

5. RECEIVABLES FROM OTHER GOVERNMENTS

	2021	2020
Province of Alberta - AMWWP Grant	\$ 50,000	\$ 50,000
Province of Alberta - ICIP Grant	34,445	1,200,000
Province of Alberta - FGTF Grant	23,514	-
Province of Alberta - FCM Grant	18,800	-
Goods and Services Tax refund	14,027	118,445
Province of Alberta - MCCAC Grant	<u>4,620</u>	<u>23,813</u>
	<u>\$ 145,406</u>	<u>\$ 1,392,258</u>

6. DEPOSIT LIABILITIES

	2021	2020
Trochu Housing Corporation Deposits	\$ 451,861	\$ -
Trochu Food Bank	84,610	83,918
Utility Deposits	<u>1,330</u>	<u>5,724</u>
	<u>\$ 537,801</u>	<u>\$ 89,642</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

7. DEFERRED REVENUE

	2021	2020
Alberta Municipal Sustainability Initiative Program	\$ 411,456	\$ 370,530
Alberta Community Partnership Grants	88,268	153,058
Fire Department – Donation	21,146	13,476
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	96	184
Other	42	-
Municipal Operating Support Transfer	-	62,198
Federal Gas Tax Fund	-	12,333
	<u>\$ 531,133</u>	<u>\$ 621,904</u>

8. EMPLOYEE BENEFIT OBLIGATIONS

	2021	2020
Vacation pay payable	\$ 24,714	\$ 25,495
Vested sick leave payable	25,886	24,182
	<u>\$ 50,600</u>	<u>\$ 49,677</u>

9. LONG TERM DEBT

	2021	2020
Tax supported debentures	\$ 491,383	\$ 505,370
Tax supported loans -- capital (Note 11)	183,474	246,844
	<u>\$ 674,857</u>	<u>\$ 752,214</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 32,334	\$ 16,960	\$ 49,294
2023	40,402	22,078	62,480
2024	40,856	20,619	61,475
2025	34,877	19,147	54,024
2026	31,835	18,061	49,896
Thereafter	494,553	143,582	638,135
	<u>\$ 674,857</u>	<u>\$ 240,447</u>	<u>\$ 915,304</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 plus 0.3%, are repayable in annual principal payments of \$16,000 and \$9,974 plus monthly interest payments and mature at dates between October 2023 and November 2032.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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:

	2021	2020
Total debt limit	\$ 4,654,258	\$ 4,766,612
Total debt	<u>674,857</u>	<u>752,214</u>
Total debt limit available	<u>3,979,401</u>	<u>4,014,398</u>
Debt service limit	775,709	794,435
Debt service	<u>62,480</u>	<u>99,777</u>
Debt service limit available	<u>\$ 713,229</u>	<u>\$ 694,658</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

	2021	2020
Tangible capital assets (Schedule 2)	\$ 21,216,529	\$ 20,979,106
Accumulated amortization (Schedule 2)	(10,180,326)	(9,727,712)
Long-term debt (Note 9)	<u>(183,474)</u>	<u>(246,844)</u>
	<u>\$ 10,852,729</u>	<u>\$ 11,004,550</u>

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

12. ACCUMULATED SURPLUS

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

	2021	2020
Unrestricted surplus (deficit)	\$ 477,971	\$ 369,571
Restricted surplus:		
Administrative salaries	19,936	19,936
Administrative	400	400
Dr. Hay memorial fund	40,000	40,000
Fire	20,025	-
Future expenditures	45,292	56,609
General	525,409	518,336
Recognition and appreciation	2,837	2,987
Subdivision land and development	14,985	14,985
Tree	1,000	1,000
Trochu golf irrigation	539	16,539
Waste management	137,000	117,000
Wastewater	9,723	9,723
Water	84,347	69,347
Equity in tangible capital assets (Note 11)	<u>10,852,729</u>	<u>11,004,550</u>
	<u>\$ 12,232,193</u>	<u>\$ 12,240,983</u>

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:

	2021			2020
	Salary(1)	Benefits Allowances(2)	Total	
Mayor Kietke	\$ 15,830	\$ 892	\$ 16,722	\$ 14,077
Councillor Armstrong	10,965	559	11,524	10,746
Councillor Cunningham	9,760	137	9,897	9,550
Councillor Lumley	6,925	315	7,240	9,957
Councillor Lyver	3,225	175	3,430	-
Councillor Martel	3,630	201	3,831	-
Councillor Munro	7,435	350	7,785	13,848
Councillor Reeds	10,990	561	11,551	9,829
Councillor Stephan	5,623	78	5,701	6,303
Chief Administrative Officer	101,309	20,800	122,109	119,062
Other designated officers	\$ 17,575	\$ -	\$ 17,575	\$ 18,500

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

13. SALARY & BENEFITS DISCLOSURE - Continued

- (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 275, 863 people and about 433 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 2021 were \$59,969 (2020 - \$62,918). Total current and past service contributions by the employees of the Town of Trochu to the Local Authorities Pension Plan in 2021 were \$53,904 (2020 - \$56,603).

At December 31, 2020, the Plan disclosed an actuarial surplus of \$5.0 billion.

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.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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.

Operating Lines of Credit

At December 31, 2021 the town had a municipal revolving loan with an approved limit of \$238,000 (2020 - \$238,000) of which \$NIL (2020 - \$20,000) had been drawn down. The revolving loan bears interest at prime plus 1.0%.

TOWN OF TROCHU

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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.

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police and fire. Transportation includes roads, streets, walks, lighting and airport. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls.

18. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2021 are for information purposes only and have not been audited.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.