

**TOWN OF TROCHU**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**FOR THE YEAR ENDED DECEMBER 31, 2022**

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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, 2022 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.

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Chief Administrative Officer

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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, 2022 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, 2022, 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 10, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS

# TOWN OF TROCHU

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

	2022	2021
<b>FINANCIAL ASSETS</b>		
Cash and short term investments (Note 3)	\$ 965,186	\$ 1,306,694
Taxes and grants in place of taxes receivables (Note 4)	126,868	105,024
Trade and other receivables	252,493	165,545
Receivables from other governments (Note 5)	<u>490,724</u>	<u>145,406</u>
	<u>1,835,271</u>	<u>1,722,669</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	308,022	224,248
Deposit liabilities (Note 6)	554,941	537,801
Deferred revenue (Note 7)	340,948	531,133
Employee benefit obligations (Note 8)	54,800	50,600
Long-term debt (Note 9)	<u>631,965</u>	<u>674,857</u>
	<u>1,890,676</u>	<u>2,018,639</u>
 <b>NET FINANCIAL ASSETS (DEBT)</b>	<u>(55,405)</u>	<u>(295,970)</u>
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 2)	11,198,776	11,036,203
Prepaid expenses	22,625	17,625
Inventory for consumption	41,913	38,931
Land held for resale	<u>1,368,267</u>	<u>1,435,404</u>
	12,631,581	12,528,163
 <b>ACCUMULATED SURPLUS (Schedule 1, Note 12)</b>	\$ <u>12,576,176</u>	\$ <u>12,232,193</u>
 Contingencies Note 15		

APPROVED ON BEHALF OF THE TOWN COUNCIL:

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Mayor

# TOWN OF TROCHU

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
<b>REVENUES</b>			
Net municipal property taxes (Schedule 3)	\$ 1,219,358	\$ 1,226,346	\$ 1,172,660
Government transfers for operating (Schedule 4)	445,512	365,855	441,027
Sales of goods and user fees	1,542,175	1,433,001	1,281,384
Investment income	7,375	8,668	465
Franchise and concession contracts	132,000	149,330	124,927
Penalties and costs of taxes	26,689	28,086	29,239
Licenses and permits	1,923	3,484	1,968
Gain on disposal of tangible capital assets	210	8,027	-
Rentals	48,146	51,412	37,499
Other	<u>28,072</u>	<u>19,834</u>	<u>13,670</u>
Total Revenue	<u>3,451,460</u>	<u>3,294,043</u>	<u>3,102,839</u>
<b>EXPENSES (Schedule 5)</b>			
Legislative	140,193	137,443	99,375
Administration	555,459	573,344	535,002
Fire, ambulance and bylaws enforcement	201,860	182,515	135,752
Transportation	796,348	994,050	790,104
Water supply and distribution	914,513	819,972	816,303
Wastewater treatment and disposal	93,671	125,240	159,609
Waste management	222,864	223,070	211,152
Family and community support	12,032	13,507	11,920
Land use planning, zoning and development	230,262	89,106	79,713
Subdivision land and development	127,035	138,130	61,585
Recreation and parks	463,899	476,810	467,229
Culture	<u>255,172</u>	<u>258,674</u>	<u>242,101</u>
Total Expenses	<u>4,013,308</u>	<u>4,031,861</u>	<u>3,609,845</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER</b>	<u>(561,848)</u>	<u>(737,818)</u>	<u>(507,006)</u>
<b>OTHER</b>			
Government transfers for capital (Schedule 4)	<u>1,283,562</u>	<u>1,081,801</u>	<u>498,216</u>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	<u>\$ 721,714</u>	343,983	(8,790)
<b>ACCUMULATED SURPLUS – BEGINNING OF YEAR</b>		<u>12,232,193</u>	<u>12,240,983</u>
<b>ACCUMULATED SURPLUS – END OF YEAR</b>		<u>\$ 12,576,176</u>	<u>\$ 12,232,193</u>

# TOWN OF TROCHU

## STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	\$ <u>721,714</u>	\$ <u>343,983</u>	\$ <u>(8,790)</u>
Acquisition of tangible capital assets	(2,349,454)	(679,872)	(237,423)
Disposal of tangible capital assets	-	50,024	-
Amortization of tangible capital assets	437,680	467,275	452,614
Use (Acquisition) of prepaid expenses	-	(5,000)	32,833
Use (Acquisition) of inventory for consumption	-	(2,982)	(38,931)
Sale (Acquisition) of land held for resale	-	67,137	24,066
	<u>(1,911,774)</u>	<u>(103,418)</u>	<u>233,159</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)</b>	(1,190,060)	240,565	224,369
<b>NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR</b>	<u>(295,970)</u>	<u>(295,970)</u>	<u>(520,339)</u>
<b>NET FINANCIAL ASSETS (DEBT) - END OF YEAR</b>	<u>\$ (1,486,030)</u>	<u>\$ (55,405)</u>	<u>\$ (295,970)</u>



# TOWN OF TROCHU

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Excess (shortfall) of revenues over expenses	\$ 343,983	\$ (8,790)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	467,275	452,614
Loss (gain) on disposal of tangible capital assets	(8,027)	-
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivables	(21,844)	25,037
Decrease (increase) in trade and other receivables	(86,948)	49,598
Decrease (increase) in receivables from other governments	(345,318)	1,246,852
Decrease (increase) in prepaid expenses	(5,000)	32,833
Decrease (increase) in land held for resale	67,137	24,066
Decrease (increase) in inventory for consumption	(2,982)	(38,931)
Increase (decrease) in accounts payable and accrued liabilities	83,774	(256,419)
Increase (decrease) in revolving line of credit	-	(20,000)
Increase (decrease) in deposit liabilities	17,140	448,159
Increase (decrease) in deferred revenue	(190,185)	(90,771)
Increase (decrease) in employee benefit obligations	4,200	923
Net cash provided by (used in) operating activities	<u>323,205</u>	<u>1,865,171</u>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(679,872)	(237,423)
Proceeds on sale of tangible capital assets	<u>58,050</u>	<u>-</u>
Net cash provided by (used in) capital activities	<u>(621,822)</u>	<u>(237,423)</u>
<b>FINANCING ACTIVITIES</b>		
Long term debt repaid	<u>(42,891)</u>	<u>(77,357)</u>
Net cash provided by (used in) financing activities	<u>(42,891)</u>	<u>(77,357)</u>
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	(341,508)	1,550,391
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,306,694</u>	<u>(243,697)</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR (Note3)</b>	\$ <u><u>965,186</u></u>	\$ <u><u>1,306,694</u></u>

# TOWN OF TROCHU

## SCHEDULE 1 --CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
<b>BALANCE -- BEGINNING OF YEAR</b>	\$ 477,971	\$ 901,493	\$ 10,852,729	\$ 12,232,193	\$ 12,240,983
Excess of revenues over expenses	343,983	-	-	343,983	(8,790)
Unrestricted funds designated for future use	(138,858)	138,858	-	-	-
Restricted funds used for operations	35,894	(35,894)	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(679,872)	-	679,872	-	-
Disposal of tangible capital assets	50,024	-	(50,024)	-	-
Annual amortization expense	467,275	-	(467,275)	-	-
Long term capital debt repaid	(28,465)	-	28,465	-	-
Change in accumulated surplus	<u>49,981</u>	<u>102,964</u>	<u>191,038</u>	<u>343,983</u>	<u>(8,790)</u>
<b>BALANCE -- END OF YEAR</b>	<u>\$ 527,952</u>	<u>\$ 1,004,457</u>	<u>\$ 11,043,767</u>	<u>\$ 12,576,176</u>	<u>\$ 12,232,193</u>

## TOWN OF TROCHU

### SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Land	Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2022	2021
<b>COST:</b>								
BALANCE - BEGINNING OF YEAR	\$ 484,008	\$ 289,408	\$ 1,961,363	\$ 16,719,971	\$ 1,088,098	\$ 673,681	\$ 21,216,529	\$ 20,979,106
Acquisition of tangible capital assets	-	-	-	409,923	223,489	-	633,412	167,603
Construction-in-progress	-	-	46,460	-	-	-	46,460	69,820
Disposal of tangible capital assets	-	-	-	(31,612)	(65,000)	-	(96,612)	-
<b>BALANCE - END OF YEAR</b>	<u>484,008</u>	<u>289,408</u>	<u>2,007,823</u>	<u>17,098,282</u>	<u>1,246,587</u>	<u>673,681</u>	<u>21,799,789</u>	<u>21,216,529</u>
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE - BEGINNING OF YEAR	-	203,127	1,039,346	7,756,242	729,896	451,715	10,180,326	9,727,712
Annual amortization	-	7,483	51,589	300,537	62,659	45,007	467,275	452,614
Accumulated amortization on disposals	-	-	-	(31,612)	(14,976)	-	(46,588)	-
<b>BALANCE - END OF YEAR</b>	<u>-</u>	<u>210,610</u>	<u>1,090,935</u>	<u>8,025,167</u>	<u>777,579</u>	<u>496,722</u>	<u>10,601,013</u>	<u>10,180,326</u>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<u>\$ 484,008</u>	<u>\$ 78,798</u>	<u>\$ 916,888</u>	<u>\$ 9,073,115</u>	<u>\$ 469,008</u>	<u>\$ 176,959</u>	<u>\$ 11,198,776</u>	<u>\$ 11,036,203</u>
<b>2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<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>\$ 11,036,203</u>

## TOWN OF TROCHU

### SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
<b>TAXATION</b>			
Real property taxes	\$ 1,416,346	\$ 1,423,445	\$ 1,356,963
Linear property taxes	49,916	49,916	48,770
Government grants in lieu of property taxes	<u>9,664</u>	<u>9,664</u>	<u>8,000</u>
	<u>1,475,926</u>	<u>1,483,025</u>	<u>1,413,733</u>
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	253,267	253,267	237,772
Golden Hill Lodge	<u>3,301</u>	<u>3,412</u>	<u>3,301</u>
	<u>256,568</u>	<u>256,679</u>	<u>241,073</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 1,219,358</u>	<u>\$ 1,226,346</u>	<u>\$ 1,172,660</u>

### SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
<b>TRANSFERS FOR OPERATING</b>			
Provincial government	\$ 156,023	\$ 84,799	\$ 165,905
Federal government	32,850	40,792	55,722
Local government	<u>256,639</u>	<u>240,264</u>	<u>219,400</u>
	<u>445,512</u>	<u>365,855</u>	<u>441,027</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	911,113	1,081,801	498,216
Federal government	<u>372,449</u>	<u>-</u>	<u>-</u>
	<u>1,283,562</u>	<u>1,081,801</u>	<u>498,216</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>\$ 1,729,074</u>	<u>\$ 1,447,656</u>	<u>\$ 939,243</u>

# TOWN OF TROCHU

## SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 1,213,788	\$ 1,148,817	\$ 1,085,281
Contracted and general services	770,965	815,214	674,805
Materials, goods, supplies and utilities	1,465,265	1,450,935	1,228,003
Provision for allowances	6,804	-	(7,124)
Transfers to other governments	40,503	51,294	38,264
Transfers to individuals, organizations and boards	37,000	70,134	96,473
Bank charges and short term interest	5,203	4,557	19,725
Interest on long term debt	36,094	23,635	21,804
Amortization of tangible capital assets	<u>437,686</u>	<u>467,275</u>	<u>452,614</u>
	\$ <u>4,013,308</u>	\$ <u>4,031,861</u>	\$ <u>3,609,845</u>

# TOWN OF TROCHU

## SCHEDULE 6 - SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2022

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
<b>REVENUE</b>								
Net municipal taxes	\$ 1,226,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,226,346
Government transfers	107,130	66,054	814,015	209,378	-	42,598	208,481	1,447,656
Sales of goods and user fees	4,425	41,804	1,370	979,773	8,815	249,939	146,875	1,433,001
Investment income	8,668	-	-	-	-	-	-	8,668
Franchise and concessions	149,330	-	-	-	-	-	-	149,330
Penalties and cost of taxes	23,087	-	-	4,999	-	-	-	28,086
Licenses and permits	2,609	875	-	-	-	-	-	3,484
Rentals	8,250	-	-	-	-	-	43,162	51,412
Gain on disposal of TCA	-	-	8,027	-	-	-	-	8,027
Other revenues	2,126	1,808	-	175	-	500	15,225	19,834
	<u>1,531,971</u>	<u>110,541</u>	<u>823,412</u>	<u>1,194,325</u>	<u>8,815</u>	<u>293,037</u>	<u>413,743</u>	<u>4,375,844</u>
<b>EXPENSES</b>								
Contracted and general services	128,231	35,768	343,931	191,366	84	24,482	91,352	815,214
Salaries, wages and benefits	363,037	4,333	204,318	233,481	-	32,424	311,224	1,148,817
Materials, goods, supplies and utilities	187,239	75,125	222,485	574,341	-	135,653	256,092	1,450,935
Transfers - individuals, organizations, boards	-	-	-	25,568	-	11,777	32,789	70,134
Transfer to other Governments	1,587	36,284	-	-	13,423	-	-	51,294
Bank charges and interest	4,557	-	-	-	-	-	-	4,557
Interest on long term debt	-	-	736	-	-	22,899	-	23,635
	<u>684,651</u>	<u>151,510</u>	<u>771,470</u>	<u>1,024,756</u>	<u>13,507</u>	<u>227,235</u>	<u>691,457</u>	<u>3,564,586</u>
<b>NET REVENUE - BEFORE AMORTIZATION</b>	<u>847,320</u>	<u>(40,969)</u>	<u>51,942</u>	<u>169,569</u>	<u>(4,692)</u>	<u>65,802</u>	<u>(277,714)</u>	<u>811,258</u>
Amortization of tangible capital assets	26,137	31,006	222,580	143,525	-	-	44,027	467,275
<b>NET REVENUE</b>	<u>\$ 821,183</u>	<u>\$ (71,975)</u>	<u>\$ (170,638)</u>	<u>\$ 26,044</u>	<u>\$ (4,692)</u>	<u>\$ 65,802</u>	<u>\$ (321,741)</u>	<u>\$ 343,983</u>

# TOWN OF TROCHU

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

### 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, 2022

### 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) 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, 2022

### 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, 2022

### 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, 2022

### 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

Loan discounts are to be amortized using the effective interest rate method. 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, 2022

### 3. CASH AND SHORT TERM INVESTMENTS

	2022	2021
Cash	\$ 965,186	\$ 1,306,694
Bank overdraft	<u>-</u>	<u>-</u>
	<u>\$ 965,186</u>	<u>\$ 1,306,694</u>

Of the cash and temporary investments \$554,941 (2021 - \$537,801) is considered restricted cash and not available for general use as it relates to deposits received.

Of the cash, \$300,759 (2021 - \$499,724) 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

	2022	2021
Current taxes and grants in place of taxes	\$ 89,390	\$ 79,284
Arrears taxes and grants in place of taxes	<u>37,478</u>	<u>25,740</u>
	126,868	105,024
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 126,868</u>	<u>\$ 105,024</u>

### 5. RECEIVABLES FROM OTHER GOVERNMENTS

	2022	2021
Province of Alberta – AMWWP Grant	\$ -	\$ 50,000
Province of Alberta – ICIP Grant	-	34,445
Province of Alberta – FGTF Grant	-	23,514
Province of Alberta – FCM Grant	-	18,800
Goods and Services Tax refund	33,780	14,027
Province of Alberta – MCCAC Grant	26,230	4,620
Kneehill County	58,264	-
Province of Alberta – CCRF	<u>372,450</u>	<u>-</u>
	<u>\$ 490,724</u>	<u>\$ 145,406</u>

### 6. DEPOSIT LIABILITIES

	2022	2021
Trochu Housing Corporation Deposits	\$ 462,987	\$ 451,861
Trochu Food Bank	90,624	84,610
Utility Deposits	<u>1,330</u>	<u>1,330</u>
	<u>\$ 554,941</u>	<u>\$ 537,801</u>

# TOWN OF TROCHU

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

### 7. DEFERRED REVENUE

	2022	2021
Alberta Municipal Sustainability Initiative Program	\$ 293,535	\$ 411,456
Alberta Community Partnership Grants	-	88,268
Fire Department – Donation	29,916	21,146
Federal Gas Tax Fund	7,224	-
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	422	421
Lotto Club Contributions	133	96
Other	14	42
	<u>\$ 340,948</u>	<u>\$ 531,133</u>

### 8. EMPLOYEE BENEFIT OBLIGATIONS

	2022	2021
Vacation pay payable	\$ 28,732	\$ 24,714
Vested sick leave payable	26,068	25,886
	<u>\$ 54,800</u>	<u>\$ 50,600</u>

### 9. LONG TERM DEBT

	2022	2021
Tax supported debentures	\$ 476,956	\$ 491,383
Tax supported loans – capital (Note 11)	155,009	183,474
	<u>\$ 631,965</u>	<u>\$ 674,857</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2023	\$ 40,855	\$ 20,619	\$ 61,474
2024	32,397	19,147	51,544
2025	31,835	18,061	49,896
2026	32,334	16,960	49,294
2027	32,849	15,843	48,692
Thereafter	461,695	127,739	589,434
	<u>\$ 631,965</u>	<u>\$ 218,369</u>	<u>\$ 850,334</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, 2022

### 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:

	2022	2021
Total debt limit	\$ 4,941,065	\$ 4,654,258
Total debt	<u>631,965</u>	<u>674,857</u>
Total debt limit available	<u>4,309,100</u>	<u>3,979,401</u>
Debt service limit	823,511	775,709
Debt service	<u>61,474</u>	<u>62,480</u>
Debt service limit available	\$ <u>762,037</u>	\$ <u>713,229</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

	2022	2021
Tangible capital assets (Schedule 2)	\$ 21,799,789	\$ 21,216,529
Accumulated amortization (Schedule 2)	(10,601,013)	(10,180,326)
Long-term debt (Note 9)	<u>(155,009)</u>	<u>(183,474)</u>
	\$ <u>11,043,767</u>	\$ <u>10,852,729</u>

# TOWN OF TROCHU

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

### 12. ACCUMULATED SURPLUS

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

	2022	2021
Unrestricted surplus (deficit)	\$ 527,952	\$ 477,971
Restricted surplus:		
Administrative salaries	19,936	19,936
Administrative	400	400
Dr. Hay memorial fund	40,000	40,000
Fire	51,116	20,025
Future expenditures	84,836	45,292
General	520,789	525,409
Recognition and appreciation	2,286	2,837
Subdivision land and development	14,985	14,985
Tree	1,000	1,000
Trochu golf irrigation	539	539
Waste management	157,000	137,000
Wastewater	9,723	9,723
Water	101,847	84,347
Equity in tangible capital assets (Note 11)	<u>11,043,767</u>	<u>10,852,729</u>
	<u>\$ 12,576,176</u>	<u>\$ 12,232,193</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:

	2022			2021
	Salary(1)	Benefits Allowances(2)	Total	
Mayor Kletke	\$	\$	\$	\$ 16,722
Councillor Armstrong				11,524
Councillor Cunningham				9,897
Councillor Lumley				7,240
Councillor Lyver				3,430
Councillor Martel				3,831
Councillor Munro				7,785
Councillor Reeds				11,551
Councillor Stephan				5,701
Chief Administrative Officer				122,109
Other designated officers	\$	\$	\$	\$ 17,575

# TOWN OF TROCHU

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

#### 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 281,764 people and about 435 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 8.45% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 12.80% for the excess. Employees of the Town of Trochu are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

Total current and past service contributions by the Town of Trochu to the Local Authorities Pension Plan in 2022 were \$55,610 (2021 - \$59,969). Total current and past service contributions by the employees of the Town of Trochu to the Local Authorities Pension Plan in 2022 were \$49,421 (2021 - \$53,904).

At December 31, 2021, the Plan disclosed an actuarial surplus of \$11.5 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, 2022

### 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 it 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, 2022 the town had a municipal revolving loan with an approved limit of \$238,000 (2021 - \$238,000) of which \$NIL (2021 - \$ NIL) 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, 2022**

#### **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, 2022 are for information purposes only and have not been audited.

#### **19. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management approved these financial statements.