

**TOWN OF TROCHU
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

**TOWN OF TROCHU
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Schedule of Tangible Capital Assets	7
Schedule of Property and Other Taxes	8
Schedule of Government Transfers	8
Schedule of Consolidated Expenses by Object	9
Schedule of Changes in Accumulated Surplus	10
Notes to Financial Statements	11 - 20



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Trochu, which comprise the statement of financial position as at December 31, 2017 and the statement of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Trochu as at December 31, 2017, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

HANNA, ALBERTA
MARCH 1, 2018


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	2017	2016 (Restated)
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,631,734	\$ 1,233,391
Receivables		
Taxes and grants in place of taxes (Note 3)	209,265	154,237
Trade and other receivables	214,566	260,851
Receivables from other governments	23,272	61,775
Land inventory held for resale	1,318,324	1,334,368
Investments (Note 4)	10	10
Deposits for asset acquisitions	<u> </u>	<u>5,800</u>
	<u>3,397,171</u>	<u>3,050,432</u>
LIABILITIES		
Accounts payable and accrued liabilities	93,663	78,532
Deposit liabilities (Note 5)	71,271	68,219
Deferred revenue (Note 6)	1,197,763	505,251
Employee benefit obligations (Note 7)	39,144	32,492
Long-term debt (Note 8)	<u>1,004,589</u>	<u>1,136,046</u>
	<u>2,406,430</u>	<u>1,820,540</u>
NET FINANCIAL ASSETS	<u>990,741</u>	<u>1,229,892</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	8,934,387	7,835,463
Prepaid expenses	<u>73</u>	<u>73</u>
	<u>8,934,460</u>	<u>7,835,536</u>
ACCUMULATED SURPLUS	<u>\$ 9,925,201</u>	<u>\$ 9,065,428</u>

CONTINGENCIES (SEE NOTE 14)

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016 (Restated)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 1,076,269	\$ 1,087,415	\$ 1,057,389
User fees and sale of goods	1,096,700	982,743	989,604
Government transfers for operating (Schedule 3)	239,100	332,728	335,552
Investment income	5,060	14,103	6,522
Penalties and costs on taxes	46,000	45,073	44,233
Licenses and permits	1,650	1,940	1,525
Franchise and concession contracts	100,000	120,000	108,230
Gain on disposal of tangible capital assets	200	24,733	21,175
Other	<u>67,700</u>	<u>8,536</u>	<u>74,433</u>
Total Revenue	<u>2,632,679</u>	<u>2,617,271</u>	<u>2,638,663</u>
EXPENSES			
Legislative	96,090	88,804	84,761
Administration	473,276	463,380	422,654
Protective services	82,800	104,404	98,716
Transportation	328,209	577,448	461,242
Water supply and distribution	560,133	586,921	605,208
Wastewater treatment and disposal	72,960	82,743	88,722
Waste management	181,245	206,351	204,883
Family and community support	18,800	16,542	66,301
Land use planning, zoning and development	113,141	78,307	97,809
Subdivision land and development	42,800	56,128	50,025
Parks and recreation	312,185	356,334	343,145
Culture	<u>185,015</u>	<u>138,115</u>	<u>167,168</u>
Total Expenses	<u>2,466,654</u>	<u>2,755,477</u>	<u>2,690,634</u>
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	166,025	(138,206)	(51,971)
Government transfers for capital (Schedule 3)		409,861	548,420
Tangible capital assets received as contributions		580,250	
Capital donations and other capital revenue		<u>7,868</u>	
EXCESS OF REVENUE OVER EXPENSES	166,025	859,773	496,449
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>9,065,428</u>	<u>9,065,428</u>	<u>8,568,979</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 9,231,453</u>	<u>\$ 9,925,201</u>	<u>\$ 9,065,428</u>

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016 (Restated)
EXCESS OF REVENUE OVER EXPENSES	\$ <u>166,025</u>	\$ <u>859,773</u>	\$ <u>496,449</u>
Acquisition of tangible capital assets		(1,055,822)	(619,302)
Proceeds on sale of tangible capital assets		164,440	24,019
Amortization of tangible capital assets		397,441	373,628
(Gain) loss on sale of tangible capital assets		(24,733)	(3,488)
Tangible capital assets received as contributions	<u> </u>	<u>(580,250)</u>	<u> </u>
		<u>(1,098,924)</u>	<u>(225,143)</u>
Change in prepaid expenses			<u>(2)</u>
DECREASE IN NET DEBT	166,025	(239,151)	271,304
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,229,892</u>	<u>1,229,892</u>	<u>958,588</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 1,395,917</u>	<u>\$ 990,741</u>	<u>\$ 1,229,892</u>

TOWN OF TROCHU
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016 (Restated)
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 859,773	\$ 496,449
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization on tangible capital assets	397,441	373,628
Gain(loss) on sale of tangible capital assets	(24,733)	(3,488)
Tangible capital assets received as contributions	<u>(580,250)</u>	<u> </u>
	652,231	866,589
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivables	(55,028)	(24,869)
Decrease(increase) in trade and other receivables	46,285	(5,508)
Decrease(increase) in receivables from other governments	38,503	328,860
Decrease(increase) in deposits on asset acquisitions	5,800	(5,800)
Decrease(increase) in prepaid expenses		(2)
Decrease(increase) in land held for resale	16,044	8,022
Increase(decrease) in accounts payable and accrued liabilities	19,526	(40,890)
Increase(decrease) in deposit liabilities	(1,343)	60,395
Increase(decrease) in deferred revenue	692,512	(39,250)
Increase(decrease) in employee benefit obligations	<u>6,652</u>	<u>599</u>
Cash provided by (applied to) operating transactions	<u>1,421,182</u>	<u>1,148,146</u>
CAPITAL		
Acquisition of tangible capital assets	(1,055,822)	(619,302)
Proceeds on sale of tangible capital assets	<u>164,440</u>	<u>24,019</u>
Cash provided by (applied to) capital transactions	<u>(891,382)</u>	<u>(595,283)</u>
FINANCING		
Long term debt repaid	<u>(131,457)</u>	<u>(161,519)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	398,343	391,344
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,233,391</u>	<u>842,047</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,631,734</u>	<u>\$ 1,233,391</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	<u>\$ 1,631,734</u>	<u>\$ 1,233,391</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,631,734</u>	<u>\$ 1,233,391</u>

TOWN OF TROCHU
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2017	2016
COST:								
BALANCE, BEGINNING OF YEAR	\$ 200,420	\$ 231,293	\$ 1,226,257	\$ 12,900,755	\$ 966,945	\$ 515,866	\$ 16,041,536	\$ 15,498,795
Acquisition of tangible capital assets	301,861	35,533	582,614	455,068	212,307		1,587,383	575,896
Construction-in-progress			5,440	43,249			48,689	43,405
Disposal of tangible capital assets					(188,843)	(2,399)	(191,242)	(76,560)
BALANCE, END OF YEAR	<u>502,281</u>	<u>266,826</u>	<u>1,814,311</u>	<u>13,399,072</u>	<u>990,409</u>	<u>513,467</u>	<u>17,486,366</u>	<u>16,041,536</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		165,900	845,763	6,439,698	470,925	283,787	8,206,073	7,898,476
Annual amortization		6,910	38,163	246,441	61,518	44,409	397,441	373,628
Accumulated amortization on disposals					(49,136)	(2,399)	(51,535)	(56,031)
BALANCE, END OF YEAR		<u>172,810</u>	<u>883,926</u>	<u>6,686,139</u>	<u>483,307</u>	<u>325,797</u>	<u>8,551,979</u>	<u>8,206,073</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 502,281</u>	<u>\$ 94,016</u>	<u>\$ 930,385</u>	<u>\$ 6,712,933</u>	<u>\$ 507,102</u>	<u>\$ 187,670</u>	<u>\$ 8,934,387</u>	<u>\$ 7,835,463</u>

TOWN OF TROCHU
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2017
Schedule 2

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	\$ 1,269,956	\$ 1,273,336	\$ 1,239,416
Linear property taxes	38,704	44,856	46,558
Government grants in place of taxes	<u>8,208</u>	<u>9,513</u>	<u>9,531</u>
	<u>1,316,868</u>	<u>1,327,705</u>	<u>1,295,505</u>
REQUISITIONS			
Alberta School Foundation Fund	238,999	238,733	236,653
Golden Hills Lodge	<u>1,600</u>	<u>1,557</u>	<u>1,463</u>
	<u>240,599</u>	<u>240,290</u>	<u>238,116</u>
NET MUNICIPAL TAXES	<u>\$ 1,076,269</u>	<u>\$ 1,087,415</u>	<u>\$ 1,057,389</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2017
Schedule 3

	Budget (Unaudited)	2017	2016 (Restated)
TRANSFERS FOR OPERATING			
Provincial government	\$ 78,000	\$ 85,692	\$ 37,585
Local governments	<u>161,100</u>	<u>247,036</u>	<u>297,967</u>
	<u>239,100</u>	<u>332,728</u>	<u>335,552</u>
TRANSFERS FOR CAPITAL			
Provincial government		188,301	429,420
Federal government		109,169	6,609
Local governments		<u>112,391</u>	<u>112,391</u>
		<u>409,861</u>	<u>548,420</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 239,100</u>	<u>\$ 742,589</u>	<u>\$ 883,972</u>

TOWN OF TROCHU
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 4

	Budget (Unaudited)	2017	2016
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 1,012,085	\$ 1,011,376	\$ 963,428
Contracted and general services	836,495	807,875	834,412
Materials, goods, supplies and utilities	517,274	464,421	415,152
Provision for allowances	22,500	683	16,065
Transfers to other governments	10,000	9,724	9,724
Transfers to individuals and organizations	30,000	28,269	15,715
Bank charges and short term interest	3,000	3,466	2,900
Interest on long term debt	31,000	31,352	35,889
Amortization of tangible capital assets		397,441	373,628
Loss on disposal of tangible capital assets			17,687
Other expenses	4,300	870	6,034
	<u>\$ 2,466,654</u>	<u>\$ 2,755,477</u>	<u>\$ 2,690,634</u>

TOWN OF TROCHU
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	<u>\$ 996,836</u>	<u>\$ 812,002</u>	<u>\$ 7,256,590</u>	<u>\$ 9,065,428</u>	<u>\$ 8,568,979</u>
Excess of revenues over expenses	859,773			859,773	496,449
Unrestricted funds designated for future use	(25,000)	25,000			
Restricted funds used for operations	15,257	(15,257)			
Current year funds used for tangible capital assets	(1,055,822)		1,055,822		
Contributed tangible capital assets	(580,250)		580,250		
Disposal of tangible capital assets	139,707		(139,707)		
Annual amortization expense	397,441		(397,441)		
Long term debt repaid	(119,102)		119,102		
Change in accumulated surplus	<u>(367,996)</u>	<u>9,743</u>	<u>1,218,026</u>	<u>859,773</u>	<u>496,449</u>
BALANCE, END OF YEAR	<u>\$ 628,840</u>	<u>\$ 821,745</u>	<u>\$ 8,474,616</u>	<u>\$ 9,925,201</u>	<u>\$ 9,065,428</u>

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Trochu are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Town council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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

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

d) Cash and Cash Equivalents

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

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investments

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

f) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

g) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective function.

h) Net Municipal Taxes

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

i) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

j) Contributions

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

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

k) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

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

One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

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

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash	\$ <u>1,631,734</u>	\$ <u>1,233,391</u>

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

Of the cash and temporary investments \$71,271 (2016 - \$68,219) is considered restricted cash and not available for general use as it relates to deposits received.

Of the cash, \$1,197,763 (2016 - \$447,465) is considered restricted cash and not available for general use as it relates to conditional government grant revenue and other conditional contributions that have not yet been expended for the purposes intended.

The Town has a revolving line of credit with ATB Financial in the amount of \$238,000, interest at prime rate. As of December 31, 2017 \$0 was outstanding.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2017	2016
Current taxes and grants in place receivables	\$ 89,535	\$ 80,057
Arrears taxes	<u>148,076</u>	<u>102,165</u>
	237,611	182,222
Less: allowance for doubtful accounts	<u>(28,346)</u>	<u>(27,985)</u>
	<u>\$ 209,265</u>	<u>\$ 154,237</u>

4. INVESTMENTS

	2017		2016	
	Cost	Market Value	Cost	Market Value
Other institutional and private corporation bonds	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>	\$ <u>10</u>

5. DEPOSIT LIABILITIES

The Town maintains utility deposits of \$6,825 (\$7,224 - 2016) and maintains a funds for the Trochu Food Bank in the amount of \$64,446 (\$60,995 - 2016).

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

6. DEFERRED REVENUE

	2017	2016
		As restated
Alberta Municipal Sustainability Initiative Program	\$ 673,323	\$ 416,522
Alberta Municipal Water/wastewater Partnership	341,945	
Federal Gas Tax Fund		51,186
Kneehill County - Regional Urban Sustainability Grant	70,429	
Walking Trails Project - Donations	10,000	17,868
Fire Department - Donation	8,886	8,886
Donations - Ace Project	4,900	4,900
TD Friends of the Environment - Spray Park Project	3,973	3,973
Donations - Centennial Celebration Funds	2,391	
Choose Well Program Grant	1,916	1,916
Unearned Revenue - Wastewater	<u>80,000</u>	
	<u>\$ 1,197,763</u>	<u>\$ 505,251</u>

Alberta Municipal Sustainability Initiative

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

Alberta Municipal Water/Wastewater Partnership

Provincial government funding was received in the current year to undertake the expansion project of the lagoon within the Town that have not yet been expended.

Kneehill County - Regional Urban Sustainability Grant

Funding was received from Kneehill County to assist the Town with various projects that has not yet been expended

Walking Trails - Donations

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

Fire Department - Donation

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

Unearned Revenue - Wastewater

Funds were received from a private company to grant them access to treated effluent water in the 2018 fiscal year

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

7. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2017</u>	<u>2016</u>
Vacation pay payable	\$ 13,873	\$ 7,883
Vested sick leave payable	<u>25,271</u>	<u>24,609</u>
	<u>\$ 39,144</u>	<u>\$ 32,492</u>

Vacation pay payable

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

Vested sick leave payable

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

8. LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
Tax supported debentures	\$ 544,818	\$ 557,173
Tax supported loans	<u>459,771</u>	<u>578,873</u>
	<u>\$ 1,004,589</u>	<u>\$ 1,136,046</u>

The current portion of the long-term debt amounts to \$98,055 (2016 - \$115,104)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 98,055	\$ 30,795	\$ 128,850
2019	82,239	28,066	110,305
2020	91,935	25,565	117,500
2021	64,987	23,076	88,063
2022	30,428	21,182	51,610
Thereafter	<u>636,945</u>	<u>215,962</u>	<u>852,907</u>
	<u>\$ 1,004,589</u>	<u>\$ 344,646</u>	<u>\$ 1,349,235</u>

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

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

Interest on long-term debt amounted to \$31,352 (2016 - \$35,889).

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

9. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Trochu be disclosed as follows:

	<u>2017</u>	<u>2016</u>
Total debt limit	\$ 3,925,907	\$ 3,957,995
Total debt	<u>1,004,589</u>	<u>1,136,046</u>
Amount of debit limit unused	<u>\$ 2,921,318</u>	<u>\$ 2,821,949</u>
Debt servicing limit	\$ 654,318	\$ 659,666
Debt servicing	<u>128,850</u>	<u>149,976</u>
Amount of debt servicing limit unused	<u>\$ 525,468</u>	<u>\$ 509,690</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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets	\$ 17,486,366	\$ 16,041,536
Accumulated amortization	(8,551,979)	(8,206,073)
Long-term debt (Note 8)	<u>(459,771)</u>	<u>(578,873)</u>
	<u>\$ 8,474,616</u>	<u>\$ 7,256,590</u>

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

11. ACCUMULATED SURPLUS

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	\$ 628,840	\$ 996,836
Restricted surplus:		
General	510,336	510,336
Dr. Hay memorial fund	100,000	100,000
Administrative	400	400
Recognition and appreciation	4,675	5,275
Fire	73,340	73,340
Water	24,347	34,004
Wastewater	16,726	16,726
Waste management	57,000	37,000
Subdivision land and development	14,985	14,985
Administrative salaries	19,936	19,936
Equity in tangible capital assets	<u>8,474,616</u>	<u>7,256,590</u>
	<u>\$ 9,925,201</u>	<u>\$ 9,065,428</u>

12. SALARY AND BENEFITS

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

	<u>2017</u>			<u>2016</u>	
	<u>Salary</u>	<u>Benefits & allowances</u>	<u>Total</u>	<u>Total</u>	
Councillors:					
Councillor Armstrong	\$ 2,515	\$ 40	\$ 2,555	\$	
Councillor Cunningham	7,760	92	7,852		8,208
Councillor Garneau	5,825	64	5,889		8,338
Councillor Kletke	10,660	181	10,841		12,725
Councillor Lumley	8,285	101	8,386		10,195
Councillor Munro	2,940	54	2,994		
Councillor Reeds	6,785	63	6,848		7,260
Councillor Stephan	4,610		4,610		4,973
Councillor Warnock	5,275	34	5,309		8,194
Chief Administrative Officer	95,626	19,495	115,121		111,752

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

2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

13. LOCAL AUTHORITIES PENSION PLAN

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

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

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

Total current service contributions by the Town to the LAPP in 2017 were \$67,184 (2016 - \$71,628). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2017 were \$61,564 (2016 - \$65,597).

At December 31, 2016, the LAPP disclosed an actuarial deficit of \$637 million. This amount is not specifically allocated to the participating government organizations. The 2017 actuarial balance was not available at the date these financial statements were released.

14. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

15. FINANCIAL INSTRUMENTS

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

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

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

16. PRIOR PERIOD ADJUSTMENTS

During the year it was determined that an amendment was required to the Town's provincial grant funding reporting. As a result of the change deferred revenue increased by \$25,000 and provincial government grant revenue decreased by \$25,000.

TOWN OF TROCHU
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

17.BUDGET AMOUNTS

The 2017 budget for the Town was approved by council and has been reported in the consolidated financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

18.COMPARATIVE FIGURES

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

19.APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
