

**Thorhild County
Consolidated
Financial Statements**

December 31, 2015



Box 10, Thorhild, AB T0A 3J0
Ph: 780-398-3741
Fax: 780-398-3748
Toll Free: 1-877-398-3777
www.thorhildcounty.com

Management's Responsibility

To the Reeve and Councillors of Thorhild County:

The accompanying consolidated financial statements of Thorhild County are the responsibility of management and have been approved by Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

Council is composed entirely of individuals who are neither management nor employees of the County. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the County's external auditors.

MNP LLP is appointed by Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

April 26, 2016



Chief Administrative Officer
ACT:JG

Independent Auditors' Report

To the Reeve and Councillors of Thorhild County:

We have audited the accompanying consolidated financial statements of Thorhild County, which comprise the consolidated statement of financial position at December 31, 2015, the consolidated statements of operations, change in net financial assets, cash flows, and schedules I through VI for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 an 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 auditors' 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 controls 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 controls. An audit also includes evaluating the appropriateness of the 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 the audit evidence 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 Thorhild County as at December 31, 2015, and the results of its operations, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

April 26, 2016
Leduc, Alberta

MNP LLP

Chartered Professional Accountants

Thorhild County
Consolidated Statement of Financial Position

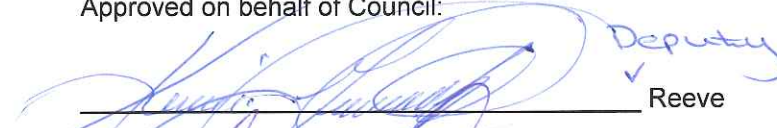
As at December 31, 2015

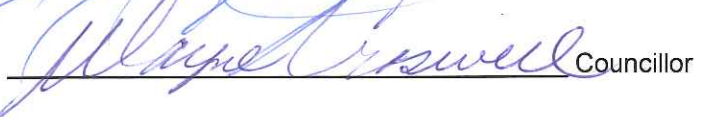
	2015	2014
Financial assets		
Cash	10,143,803	10,325,707
Property taxes receivable (Note 3)	481,488	226,411
Trade and other accounts receivable (Note 4)	3,460,872	2,759,371
Tax sale proceeds	-	58,575
Land for resale inventory	834,153	825,413
Debt charges recoverable (Note 5)	606,071	658,462
Investment in Gas Alberta Inc.	55,475	55,475
	15,581,862	14,909,414
Liabilities		
Accounts payable and accrued liabilities	2,525,544	2,599,483
Reclamation liability	280,000	-
Tax sale proceeds liability	-	58,575
Deferred revenue (Note 7)	336,871	289,695
Landfill post-closure liability (Note 8)	387,928	414,066
Long-term debt (Note 9)	708,570	791,555
	4,238,913	4,153,374
Net financial assets	11,342,949	10,756,040
Non-financial assets		
Tangible capital assets (Schedule II)	47,969,034	47,713,511
Inventory for consumption (Note 11)	830,635	813,957
Prepaid expenses	201,984	182,036
	49,001,653	48,709,504
Accumulated surplus (Schedule I)	60,344,602	59,465,544

Contingencies (Note 15)

Commitments (Note 18)

Approved on behalf of Council:


 Deputy
 Reeve


 Councillor

The accompanying notes are an integral part of these financial statements

Thorhild County
Consolidated Statement of Operations

For the year ended December 31, 2015

	2015 Budget (Note 19)	2015	2014
Revenue			
Net municipal property taxes <i>(Schedule III)</i>	9,825,433	10,014,640	8,774,262
Sales, user charges and costs recovered	5,366,670	4,562,376	5,620,011
Government transfers <i>(Schedule IV)</i>	987,769	1,078,214	1,047,710
Other	203,500	308,866	206,048
Interest income	67,300	151,626	135,315
Penalties and costs on taxes	83,200	136,160	91,289
Licenses and permits	81,000	70,249	75,918
Rental	50,300	47,597	63,850
Gain on sale of tangible capital assets	-	7,105	365,764
	16,665,172	16,376,833	16,380,167
Expenses			
Roads, streets, walks and lighting	6,154,190	6,738,166	5,713,688
Gas	3,303,050	2,055,883	3,150,782
Administration	2,073,520	2,054,123	1,893,247
Protection services	802,100	863,133	575,513
Water supply and distribution	659,350	777,220	691,554
Land use, planning, zoning and development	585,130	773,630	717,793
Waste management	490,650	710,323	781,198
Parks and recreation	583,750	568,949	558,105
Legislative	377,560	377,330	305,192
Agriculture services	323,680	334,845	264,021
Wastewater treatment and disposal	235,700	246,580	258,629
Family and community support	138,890	179,587	131,506
Further education	135,740	141,391	102,843
	15,863,310	15,821,160	15,144,071
Excess of revenue over expenses before other	801,862	555,673	1,236,096
Other			
Government transfers for capital <i>(Schedule IV)</i>	5,435,488	699,716	1,171,490
Other capital contributions	-	94,622	229,582
Impairment of land for resale inventory <i>(Note 20)</i>	-	(470,953)	(116,553)
	5,435,488	323,385	1,284,519
Excess of revenue over expenses	6,237,350	879,058	2,520,615
Accumulated surplus, beginning of year	59,465,544	59,465,544	56,944,929
Accumulated surplus, end of year	65,702,894	60,344,602	59,465,544

The accompanying notes are an integral part of these financial statements

Thorhild County
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2015

	2015 Budget (Note 19)	2015	2014
Excess of revenue over expenses	6,237,350	879,058	2,520,615
Acquisition of tangible capital assets	(14,485,800)	(2,377,091)	(2,384,466)
Proceeds on disposal of tangible capital assets	1,043,500	114,486	593,478
Amortization of tangible capital assets	1,787,629	2,014,187	1,927,053
Gain on sale of tangible capital assets	-	(7,105)	(365,764)
Use (acquisition) of prepaid expenses	-	(19,947)	98,034
Use (acquisition) of inventory for consumption	-	(16,679)	176
Increase (decrease) in net financial assets	(5,417,321)	586,909	2,389,126
Net financial assets, beginning of year	10,756,040	10,756,040	8,366,914
Net financial assets, end of year	5,338,719	11,342,949	10,756,040

The accompanying notes are an integral part of these financial statements

Thorhild County
Consolidated Statement of Cash Flows
For the year ended December 31, 2015

	2015	2014
Cash provided by (used for) the following activities:		
Operating		
Excess of revenue over expenses	879,058	2,520,615
Non-cash items:		
Amortization of tangible capital assets	2,014,187	1,927,053
Gain on disposal of tangible capital assets	(7,105)	(365,764)
Increase in reclamation liability	280,000	-
Write off of land held for resale	470,953	116,553
Net change in non-cash operating working capital balances:		
Increase (decrease) in deferred revenue	47,176	(113,094)
Decrease (increase) in prepaid expenses	(19,948)	98,033
Increase (decrease) in accounts payable and accrued liabilities	(1,383,171)	1,054,736
Decrease (increase) in trade and other accounts receivable	(701,501)	1,655,008
Decrease (increase) in property taxes receivable	(255,077)	5,020
Decrease (increase) in inventory for consumption	(16,678)	177
Increase in investment in Gas Alberta Inc.	-	(70)
Increase in land held for resale	(479,693)	(84,116)
	828,201	6,814,151
Capital		
Proceeds on disposal of tangible capital assets	103,905	593,478
Acquisition of tangible capital assets	(1,083,416)	(3,593,913)
	(979,511)	(3,000,435)
Financing		
Debt charges recoverable	52,391	49,904
Repayment of long-term debt	(82,985)	(78,868)
	(30,594)	(28,964)
Increase (decrease) in cash and equivalents	(181,904)	3,784,752
Cash and equivalents, beginning of year	10,325,707	6,540,955
Cash and equivalents, end of year	10,143,803	10,325,707

The accompanying notes are an integral part of these financial statements

Thorhild County
Schedule I - Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2015

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus</i>	<i>Equity in Tangible Capital Assets (Note 12)</i>	<i>2015</i>	<i>2014</i>
Balance, beginning of year	7,308,885	4,576,242	47,580,417	59,465,544	56,944,929
Excess of revenue over expenses	879,058	-	-	879,058	2,520,615
Unrestricted funds designated for future use	(1,285,243)	1,285,243	-	-	-
Restricted funds for operations	508,603	(508,603)	-	-	-
Restricted funds used for tangible capital assets	-	(353,229)	353,229	-	-
Current year funds used for tangible capital assets	(2,023,862)	-	2,023,862	-	-
Disposal of tangible capital assets	107,381	-	(107,381)	-	-
Annual amortization expense	2,014,187	-	(2,014,187)	-	-
Capital long-term debt repaid	(30,594)	-	30,594	-	-
Change in accumulated surplus	169,530	423,411	286,117	879,058	2,520,615
Balance, end of year	7,478,415	4,999,653	47,866,534	60,344,602	59,465,544

The accompanying notes are an integral part of these financial statements

Thorhild County
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2015

	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>Construction in Progress</i>	<i>2015</i>	<i>2014</i>
Cost:									
Balance, beginning of year	3,062,583	1,925,833	4,227,857	138,205,764	9,168,638	3,204,510	443,891	160,239,076	158,271,343
Acquisition of tangible capital assets	450	171,149	-	802,439	946,434	343,273	113,346	2,377,091	2,384,466
Construction-in-progress	-	-	23,800	-	45,342	-	(69,142)	-	-
Disposal of tangible capital assets	(37,167)	-	-	-	(48,469)	(24,440)	(14,181)	(124,257)	(416,733)
Balance, end of year	3,025,866	2,096,982	4,251,657	139,008,203	10,111,945	3,523,343	473,914	162,491,910	160,239,076
Accumulated amortization:									
Balance, beginning of year	-	424,550	1,792,377	104,611,578	3,981,334	1,715,726	-	112,525,565	110,787,530
Annual amortization	-	67,337	87,091	1,122,174	495,885	241,700	-	2,014,187	1,927,053
Accumulated amortization on disposals	-	-	-	-	(3,231)	(13,645)	-	(16,876)	(189,018)
Balance, end of year	-	491,887	1,879,468	105,733,752	4,473,988	1,943,781	-	114,522,876	112,525,565
Net book value	3,025,866	1,605,095	2,372,189	33,274,451	5,637,957	1,579,562	473,914	47,969,034	47,713,511
2014 net book value	3,062,583	1,501,283	2,435,480	33,594,186	5,187,304	1,488,784	443,891	47,713,511	

The accompanying notes are an integral part of these financial statements

Thorhild County
Schedule III - Schedule of Property Taxes Levied

For the year ended December 31, 2015

	2015 Budget	2015	2014
Taxation			
Non-residential land, improvements, machinery and equipment	8,715,552	8,904,482	7,829,018
Residential land and improvements	2,435,446	2,437,463	2,191,713
Farmland	1,170,516	1,043,162	1,053,373
Special assessments and local improvement taxes	14,280	14,304	14,304
	12,335,794	12,399,411	11,088,408
Requisitions			
Alberta School Foundation Fund	2,158,361	2,032,771	1,962,146
Newthorad Seniors Housing Foundation	352,000	352,000	352,000
	2,510,361	2,384,771	2,314,146
Net municipal property taxes	9,825,433	10,014,640	8,774,262

The accompanying notes are an integral part of these financial statements

Thorhild County
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2015

	2015 Budget	2015	2014
Operating			
Provincial	987,769	1,078,214	1,047,710
Capital			
Provincial	5,229,488	490,256	1,171,490
Federal	206,000	209,460	-
	5,435,488	699,716	1,171,490
Total government transfers	6,423,257	1,777,930	2,219,200

The accompanying notes are an integral part of these financial statements

Thorhild County
Schedule V - Consolidated Schedule of Expenses by Object
For the year ended December 31, 2015

	2015 Budget	2015	2014
Consolidated expenses by object			
Salaries, wages and benefits	5,537,600	5,984,645	5,181,808
Materials, goods and utilities	5,137,400	4,315,515	4,974,951
Contracted and general services	3,376,320	3,335,202	2,941,541
Amortization of tangible capital assets	1,787,690	2,014,187	1,927,053
Provision for allowances	6,500	124,608	60,918
Interest on long-term debt	-	36,936	43,382
Bank charges and short-term interest	9,800	6,300	11,201
Purchases from other governments	8,000	3,768	3,217
	15,863,310	15,821,161	15,144,071

The accompanying notes are an integral part of these financial statements

Thorhild County
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2015

	General government	Administration, and legislative	Transportation services	Environmental services	Protective services	Agriculture services	Family and community	Gas	Planning and development	Parks and recreation	Total
Revenue											
Net municipal property taxes	10,000,336	-	-	14,304	-	-	-	-	-	-	10,014,640
Sale, user charges, and costs recovered	-	170,997	73,013	1,317,714	165,189	124	59,772	2,611,655	86,458	77,456	4,562,378
Government transfers	-	-	1,180,296	-	2,833	183,359	216,942	13,609	-	180,890	1,777,929
Other	308,866	-	-	-	-	-	-	-	-	-	308,866
Interest income	151,626	-	-	-	-	-	-	-	-	-	151,626
Penalties and costs on taxes	123,259	-	-	7,450	-	-	-	5,451	-	-	136,160
Other capital contributions	-	-	-	-	-	-	-	76,000	18,622	-	94,622
Licenses and permits	1,170	-	-	-	-	-	-	-	69,079	-	70,249
Rental	-	32,082	-	-	-	-	-	-	-	15,515	47,597
Gain (loss) on sale of tangible capital assets	-	-	(3,454)	(14,182)	-	-	-	-	24,741	-	7,105
	10,585,257	203,079	1,249,855	1,325,286	168,022	183,483	276,714	2,706,715	198,900	273,861	17,171,172
Expenses											
Salaries, wages, and benefits	-	1,290,405	2,436,015	366,010	418,571	174,108	226,041	485,172	367,019	221,304	5,984,645
Materials, goods, and utilities	-	100,922	2,318,190	330,515	110,564	66,958	11,206	1,291,592	6,456	79,112	4,315,515
Contracted and general services	-	956,390	635,880	796,294	135,446	40,294	48,731	107,053	396,817	218,297	3,335,202
Provision for allowances	-	541	168	-	84,984	-	35,000	3,915	-	-	124,608
Interest on long-term debt	-	36,936	-	-	-	-	-	-	-	-	36,936
Bank charges and short-term interest	-	5,102	-	-	-	-	-	-	-	1,198	6,300
Purchases from other governments	-	-	-	-	-	-	-	-	-	3,768	3,768
	-	2,390,296	5,390,253	1,492,819	749,565	281,360	320,978	1,887,732	770,292	523,679	13,806,974
Net revenue, before amortization and other	10,585,257	(2,187,217)	(4,140,398)	(167,533)	(581,543)	(97,877)	(44,264)	818,983	(571,392)	(249,818)	3,364,198
Amortization expense	-	41,157	1,347,912	241,304	113,568	53,485	-	168,152	3,339	45,270	2,014,187
Impairment of land for resale	-	-	-	-	-	-	-	-	470,953	-	470,953
Internal equipment transfer	-	8,937	(290,950)	56,735	25,616	160,530	-	32,018	68	7,046	-
Administration allocation	-	(1,533,771)	870,478	125,088	92,817	51,406	77,966	158,502	109,952	47,562	-
Net revenue	10,585,257	(703,540)	(6,067,838)	(590,660)	(813,544)	(363,298)	(122,230)	460,311	(1,155,704)	(349,696)	879,058

1. Significant accounting policies

The consolidated financial statements of Thorhild County (the "County") are the representations of management prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the County are as follows:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes 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 County and are, therefore, accountable to County Council for the administration of their financial affairs and resources, including the Agricultural Service Board and Family and Community Support Services.

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

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

Basis of accounting

The consolidated 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.

Management uncertainty (use of estimates)

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Trade and other accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Landfill post-closure care liability is based on estimated annual costs of monitoring over a period of 22 years, as well as engineer's estimates of costs to reclaim closed landfills. Gravel inventory is valued using calculations which have some estimation involved. The reclamation liability is an estimated cost to bring the gravel pit site back to its original condition prior to mining.

1. Significant accounting policies *(continued)*

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the County is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2015.

At each financial reporting date, the County reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The County continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Property tax requisition over-levy and under-levy

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.

1. Significant accounting policies *(continued)*

Land for resale inventory

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisitions 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 tangible capital assets under the respective function.

Landfill post-closure liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the County is required to provide for post-closure care of all landfills. Post-closure activities include surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over a 22 year period.

Revenue recognition

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.

The County recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the County recognizes revenue as the liability is settled.

ii. Tax revenue

The County recognizes taxes as assets and revenue when they meet the definition of an asset, are authorized by Council, and the taxable event has occurred. Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the County evaluates the tax receivable for collectibility and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

iii. Other revenue

Other sources of revenue are recorded when received or receivable.

Non-financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

1. Significant accounting policies *(continued)*

Non-financial assets *(continued)*

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:

Land improvements	15-30 years
Buildings	15-50 years
Engineered structures:	
Water and wastewater system	45-75 years
Gas	36-75 years
Roads	10-40 years
Bridges	50 years
Machinery and equipment	5-45 years
Vehicles	10-25 years

Amortization is not charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

During the year, tangible capital assets were acquired at an aggregate cost of \$2,377,091 (2014 - \$2,384,466), of which \$1,339,899 (2014 - \$46,224) was in accounts payable at year-end and the remaining \$1,083,416 (2014 - \$3,593,913) was acquired by cash.

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.

1. Significant accounting policies *(continued)*

Non-financial assets *(continued)*

vi. Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

Segments

The County conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the County's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

Pensions

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

Recent accounting pronouncements

i. Financial Instruments

In June 2011, the Public Sector Accounting Board ("PSAB") issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections.

PS 3450 is effective for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted. The County does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

ii. Financial statement presentation

In June 2011, as a result of the issuance of PS 3450 *Financial Instruments*, the PSAB issued new PS 1201 *Financial Statement Presentation*, which revises and replaces PS 1200 *Financial Statement Presentation*.

This section is effective for governments in the same period PS 3450 is adopted. PS 3450 are to be added together and are effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted. The County does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

iii. Portfolio investments

In March 2012, as a result of the issuance of PS 3450 *Financial Instruments*, the PSAB issued new PS 3041 *Portfolio Investments*, which revises and replaces PS 3030 *Temporary Investments* and PS 3040 *Portfolio Investments*.

This Section is effective in the same period PS 1201 *Financial Statement Presentation* and PS 3450 are adopted. PS 1201, PS 3041, and PS 3450 are to be adopted together and are effective for fiscal years beginning on or after April 1, 2019. Early adoption is permitted. The County does not expect the adoption of the new section to have a material impact on its consolidated financial statements.

Thorhild County
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

2. Change in accounting policy

Effective January 1, 2015, the County adopted the recommendations relating to PS 3260, *Liability for Contaminated Sites*, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for liability for contaminated sites. Under the new recommendations, the County is required to recognize a liability for contaminated sites when economic benefits will be give up, as described in Note 1, *significant accounting policies*.

There was no effect on the County's financial statements of adopting the above-noted change in accounting policy.

3. Property taxes receivable

	<i>2015</i>	<i>2014</i>
Current taxes	412,369	154,938
Arrears taxes	69,119	71,473
	481,488	226,411

4. Trade and other accounts receivable

	<i>2015</i>	<i>2014</i>
Due from governments	2,750,898	1,820,713
Trade and other receivables	470,412	581,966
Gas utilities receivable	336,843	560,028
	3,558,153	2,962,707
Less allowance for doubtful accounts	(97,281)	(203,336)
	3,460,872	2,759,371

Thorhild County
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

5. Debt charges recoverable

The County has undertaken a joint project to assist Newthorad Senior Housing with a senior citizen's lodge. The County assumed long-term financing totaling \$1,063,333 in 2004. As at December 31, 2015 \$606,071 (2014 - \$658,462) plus interest at 5.625% is recoverable from Newthorad Senior Housing with respect to this financing. Amounts are recoverable in semi-annual blended instalments of \$42,085, and mature December 15, 2024.

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	55,002	29,168	84,170
2017	57,743	26,427	84,170
2018	60,621	23,549	84,170
2019	63,642	20,528	84,170
2020	66,813	17,357	84,170
To maturity	302,250	34,429	336,679
	606,071	151,458	757,529

6. Bank indebtedness

The County has a revolving line of credit with the Bank of Nova Scotia with a maximum limit of \$1,000,000. Interest accrues monthly on the outstanding balance at the Bank of Nova Scotia prime rate. The line of credit arrangement is reviewed annually by the bank with the most recent review date being February 24, 2015.

As of December 31, 2015 the County had not drawn any funds (2014 - \$nil) on the line of credit.

As at December 31, 2015 prime rate was 2.7% (2014 - 3.0%).

7. Deferred revenue

	<i>Opening</i>	<i>Funding Recognized received as revenue</i>		<i>Closing</i>
Final Mile grant	156,106	-	(18,622)	137,484
Deferred rent and water revenue	49,412	61,264	(49,412)	61,264
Alberta Education grant	27,388	-	(27,388)	-
Municipal Sustainability Initiative - capital grant	25,301	451,346	(476,647)	-
Donations	22,784	38,531	(22,784)	38,531
Street Improvement grant	8,704	-	-	8,704
Seniors and adult learning grant	-	81,777	(40,889)	40,888
Radway fish pond grant	-	50,000	-	50,000
Federal Gas Tax Fund	-	209,460	(209,460)	-
	289,695	892,378	(635,742)	336,871

Included in the County's deferred revenue are government transfers which are restricted to eligible capital projects as approved under the funding agreements, amounts received in advance for water and rent, and donations received which are restricted for fire equipment purchases.

Thorhild County
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015

8. Landfill post-closure liability

In accordance with the Code of Practice for Landfills in Alberta, the County has estimated the post-closure liability over the next 22 years (2014 - 23 years) to be \$344,647 (2014 - \$367,870). This estimate was based on an engineer's study indicating the estimated annual post-closure costs.

During 2013, chloride concentrations were found in one of the closed landfills. An engineer's estimate of the cost to clean this up was \$60,000 which was recorded as a liability. As at December 31, 2015, \$16,719 (2014 - \$13,804) of costs have been incurred.

The total landfill post-closure liability recorded by the County is \$387,928 (2014 - \$414,066).

9. Long-term debt

	<i>2015</i>	<i>2014</i>
Tax-supported debentures	102,499	133,093
Self-supported debentures	606,071	658,462
	708,570	791,555

Payments of interest and principal are due as follows:

	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	87,316	34,934	122,250
2017	91,875	30,375	122,250
2018	96,673	25,577	122,250
2019	63,642	20,528	84,170
2020	66,813	17,357	84,170
To maturity	302,251	34,429	336,680
	708,570	163,200	871,770

Debenture debt is repayable to Alberta Capital Finance Authority, bears interest at rates ranging from 4.923% to 5.625% per annum and matures in periods 2018 through 2024. The average annual interest rate is 5.274% for 2015 (2014 - 5.274%). Debenture debt is issued on the credit and security of the County at large.

Cash payments for interest amounted to \$39,266 (2014 - \$43,382).

Thorhild County
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

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 County be disclosed as follows:

	<i>2015</i>	<i>2014</i>
Total debt limit	24,707,183	24,914,624
Total debt	708,570	791,555
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Amount of debt limit unused	23,998,613	24,123,069
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Service on debt limit	4,117,864	4,152,437
Service on debt	122,250	122,251
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Amount of debt servicing limit unused	3,995,614	4,030,186
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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 which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

11. Inventory for consumption

	<i>2015</i>	<i>2014</i>
Gravel inventory	502,616	445,740
Shop inventory	328,019	368,217
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	830,635	813,957
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12. Equity in tangible capital assets

	<i>2015</i>	<i>2014</i>
Tangible capital assets (<i>Schedule II</i>)	162,491,910	160,239,076
Accumulated amortization (<i>Schedule II</i>)	(114,522,877)	(112,525,566)
Capital long-term debt (<i>Note 9</i>)	(102,499)	(133,093)
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	47,866,534	47,580,417
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Thorhild County
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015

13. Salary and benefits disclosure

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

	Salary	Benefits & allowances	2015	2014
Dan Bury, Reeve	42,829	7,899	50,728	43,330
Wayne Croswell	42,229	5,314	47,543	49,785
Larry Sisson	36,229	10,182	46,411	49,186
Kevin Grumetza	38,029	6,464	44,493	41,276
Shelly Hanasyk	36,229	6,404	42,633	41,276
Betty Kolewaski, Former CAO	203,848	23,919	227,767	128,832
Pat Vincent, Interim Acting CAO	53,203	2,480	55,683	-
Janelle Cornelius, Former Acting CAO	-	-	-	42,650
James Squire, Former CAO	-	-	-	175,000

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

Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including RRSP's, dental coverage, vision coverage, group life insurance and accidental disability and dismemberment insurance.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits.

Included in the salary amount for Betty Kolewaski, Former CAO is a severance payout in the amount of \$64,175.

14. Local Authorities Pension Plan

Employees of the County participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 237,612 people and 423 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The County 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. Employees of the County are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the County to the LAPP in 2015 were \$114,166 (2014 - \$93,185). Total current service contributions by the employees of the County to the Local Authorities Pension Plan in 2015 were \$105,722 (2014 - \$86,126).

At December 31, 2014, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial deficiency of \$2,454,636,000 (2013 - \$4,861,516,000).

15. Contingencies

The County is a member of the Genesis reciprocal insurance exchange. Under the terms of the membership, the County 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.

In the normal conduct of operations, there are pending claims by and against the County. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the County's financial position or results of operations.

16. Guarantees

The County guarantees the balances of its credit cards to a maximum of \$30,000.

Thorhild County
Notes to the Consolidated Financial Statements
For the year ended December 31, 2015

17. Segments

The County provides a range of services to its ratepayers. For each reported segment, the revenue 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 consolidated financial statements as disclosed in Note 1.

Refer to Schedule VI - Schedule of Segmented Disclosure.

18. Commitments

The County has entered into machinery leases, office equipment leases, and various service agreements. The commitments over the next five years are as follows:

2016	187,683
2017	108,548
2018	101,456
2019	6,656
2020	6,417

19. Budget information

The disclosed budget information has been approved by Council. The following is a reconciliation between the budget approved and that showing in the consolidated financial statements:

	<i>Budget</i>
	<i>2015</i>
Approved budgeted operating surplus	659,612
Capital amounts, budgeted in operating	(100,000)
Internal equipment charges	12,000
Operating transfer to reserve	230,250
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Excess of revenue over expenses (<i>Statement of Operations</i>)	801,862
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Approved budgeted capital deficit	(4,840,123)
Capital reserve transfer	(1,328,527)
Debenture payments budgeted for	(1,253,662)
Property tax revenue, budgeted for in operating	(684,500)
Amortization of tangible capital assets, budgeted for in operating	1,787,629
Capital amounts, budgeted for in operating	100,000
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Capital deficit	(6,219,183)
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Decrease in net financial assets (<i>Statement of Change in Net Financial Assets</i>)	(5,417,321)

Thorhild County
Notes to the Consolidated Financial Statements

For the year ended December 31, 2015

20. Impairment of land for resale inventory

In 2013, work was done to start demolishing the Thorhild Elementary School and the costs added to the land value outweighed the assessed value. As a result, in 2015, the land was written down from its carrying value of \$579,393 (2014 - \$216,253) to its estimated fair value of \$108,440 (2014 - \$99,700). The resulting impairment loss of \$470,953 (2014 - \$116,553) was recorded in other income (expense) in 2015.

21. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.