GITZEL & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

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TOWN OF BASHAW

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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*DENOTES PROFESSIONAL CORPORATION

TOWN OF BASHAW

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Town of Bashaw as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 25, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

GITZEL & COMPANY CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	$ 1,714,354	$ 3,001,469
Taxes and grants in place of taxes receivables (Note 4)	144,193	95,941
Trade and other receivables (Note 5)	203,074	107,294
Land held for resale	246,857	246,857
Long-term investments (Note 6)	917,817	286,790
	3,226,295	3,738,351
LIABILITIES		
Accounts payable and accrued liabilities	95,086	112,168
Deposit liabilities	1,463	1,261
Deferred revenue (Note 8)	216,227	1,015,184
Due to Highway 12/21 Regional Water Services Commission (Note 9)	230,346	238,976
Reclamation liability (Note 10)	8,000	8,000
	551,122	1,375,589
NET FINANCIAL ASSETS (DEBT)	2,675,173	2,362,762
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	10,596,944	9,818,135
Prepaid expenses	15,231	7,910
Inventory for consumption	13,277	14,642
	10,625,452	9,840,687
ACCUMULATED SURPLUS (Schedule 1, Note 11)	$ 13,300,625	$ 12,203,449

Contingencies Note 19

APPROVED ON BEHALF OF THE TOWN COUNCIL:

______________________________ Mayor

TOWN OF BASHAW

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
REVENUES			
Net municipal property taxes (Schedule 3)	$ 710,656	$ 709,574	$ 704,805
Government transfers for operating (Schedule 4)	126,199	177,406	171,694
Sales of goods and user fees	664,820	720,383	557,602
Investment income	3,000	16,655	16,324
Rentals	14,221	18,623	14,498
Franchise and concession contracts	63,000	68,511	61,163
Penalties and costs of taxes	20,000	19,249	28,470
Other	36,450	118,425	73,510
Total Revenue	1,638,346	1,848,826	1,628,066
EXPENSES (Schedule 5)			
Legislative	36,190	46,028	30,519
Administration	331,023	327,339	337,287
Fire, ambulance and bylaws enforcement	96,973	182,269	131,356
Roads, streets, walk, lighting	321,766	276,326	296,009
Water and wastewater	345,212	218,683	226,421
Waste management	71,687	67,736	67,790
Family and community support	60,829	60,829	60,327
Subdivision land and development	14,500	10,502	14,624
Public health and welfare	50,909	37,358	25,563
Recreation and parks	232,394	201,472	223,305
Culture	47,363	52,868	49,338
Loss on disposal of tangible capital assets	-	10,283	-
Amortization (Note 20)	-	346,018	372,960
Total Expenses	1,608,846	1,837,711	1,835,499
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	29,500	11,115	(207,433)
OTHER			
Government transfers for capital (Schedule 4)	1,231,340	1,086,061	107,626
	1,231,340	1,086,061	107,626
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	1,260,840	1,097,176	(99,807)
ACCUMULATED SURPLUS – BEGINNING OF YEAR	12,203,449	12,203,449	12,303,256
ACCUMULATED SURPLUS – END OF YEAR	$ 13,464,289	$ 13,300,625	$ 12,203,449

TOWN OF BASHAW

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	$ 1,260,840	$ 1,097,176	$ (99,807)
Acquisition of tangible capital assets	(1,327,540)	(1,135,110)	(126,331)
Amortization of tangible capital assets	-	346,018	372,960
(Gain) loss on sale of tangible capital assets	-	10,283	-
	(1,327,540)	(778,809)	246,629
Inventory used for consumption	-	1,365	781
Acquisition of prepaid assets	-	(15,231)	(7,910)
Use of prepaid assets	-	7,910	7,680
	-	(5,956)	551
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(66,700)	312,411	147,373
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	2,362,762	2,362,762	2,215,389
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	$ 2,296,062	$ 2,675,173	$ 2,362,762

TOWN OF BASHAW

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	$ 1,097,176	$ (99,807)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	346,018	372,960
Loss on disposal of tangible capital assets	10,283	-
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	(48,252)	7,422
Trade and other receivables	(95,780)	462,284
Prepaid expenses	(7,321)	(230)
Inventory for consumption	1,365	781
Accounts payable and accrued liabilities	(17,082)	19,935
Deposit liabilities	202	752
Deferred revenue	(798,957)	257,840
Net cash provided by (used in) operating activities	487,652	1,021,937
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,135,110)	(126,331)
Net cash provided by (used in) capital activities	(1,135,110)	(126,331)
INVESTING ACTIVITIES		
Purchase of long – term investments	(631,027)	-
Decrease (increase) in restricted cash and short-term investments	849,074	(692,162)
Net cash provided by (used in) investing activities	218,047	(692,162)
FINANCING ACTIVITIES		
Due to Highway 12/21 Regional Water Services Commission - Payments	(8,630)	(8,231)
Net cash provided by (used in) financing activities	(8,630)	(8,231)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(438,041)	195,213
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,970,847	1,775,634
CASH AND CASH EQUIVALENTS - END OF YEAR	1,532,806	1,970,847
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 3)	1,714,354	3,001,469
Less: Restricted portion of cash and short term investments (Note 3)	(181,548)	(1,030,622)
	$ 1,532,806	$ 1,970,847

TOWN OF BASHAW

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE - BEGINNING OF YEAR	$ 1,877,713	$ 507,601	$ 9,818,135	$ 12,203,449	$ 12,303,256
Excess (deficiency) of revenues over expenses	1,097,176	-	-	1,097,176	(99,807)
Funds designated for future use	(447,154)	447,154	-	-	-
Restricted funds used for operations	20,904	(20,904)	-	-	-
Restricted funds used for tangible capital assets	-	(22,920)	22,920	-	-
Current year funds used for tangible capital assets	(1,112,190)	-	1,112,190	-	-
Disposal of tangible capital assets	10,283	-	(10,283)	-	-
Annual amortization expense	346,018	-	(346,018)	-	-
Change in accumulated surplus	(84,963)	403,330	778,809	1,097,176	(99,807)
BALANCE - END OF YEAR	$ 1,792,750	$ 910,931	$ 10,596,944	$ 13,300,625	$ 12,203,449

TOWN OF BASHAW

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
COST:								
BALANCE - BEGINNING OF YEAR	$ 200,267	$ 43,766	$ 4,096,171	$ 12,031,215	$ 866,510	$ 199,645	$ 17,437,574	$ 17,311,243
Acquisition of tangible capital assets	-	10,720	17,495	1,095,344	11,551	-	1,135,110	126,331
Disposal of tangible capital assets	-	-	-	(14,500)	-	-	(14,500)	-
BALANCE - END OF YEAR	200,267	54,486	4,113,666	13,112,059	878,061	199,645	18,558,184	17,437,574
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	18,377	925,086	6,049,631	497,729	128,616	7,619,439	7,246,479
Annual amortization	-	2,981	80,295	210,624	44,424	7,694	346,018	372,960
Accumulated amortization on disposals	-	-	-	(4,217)	-	-	(4,217)	-
BALANCE - END OF YEAR	-	21,358	1,005,381	6,256,038	542,153	136,310	7,961,240	7,619,439
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 200,267	$ 33,128	$ 3,108,285	$ 6,856,021	$ 335,908	$ 63,335	$ 10,596,944	$ 9,818,135
2016 NET BOOK VALUE OF TANGIBLE CAPTIAL ASSETS	$ 200,267	$ 25,389	$ 3,171,085	$ 5,981,584	$ 368,781	$ 71,029	$ 9,818,135	

TOWN OF BASHAW

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	$ 868,050	$ 866,968	$ 852,401
Linear property taxes	24,563	24,563	25,667
Government grants in lieu of property taxes	24,833	24,833	30,412
	917,446	916,364	908,480
REQUISITIONS			
Alberta School Foundation Fund	206,003	206,003	197,168
Camrose Seniors' Foundation	787	787	6,507
	206,790	206,790	203,675
NET MUNICIPAL TAXES	$ 710,656	$ 709,574	$ 704,805

TOWN OF BASHAW

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Provincial government	$ 32,954	$ 70,475	$ 77,042
Local government	93,245	106,931	91,652
Individuals and organizations	-	-	3,000
	126,199	177,406	171,694
TRANSFERS FOR CAPITAL			
Federal government	117,500	93,677	11,895
Provincial government	1,113,840	992,384	95,731
	1,231,340	1,086,061	107,626
TOTAL GOVERNMENT TRANSFERS	$ 1,357,539	$ 1,263,467	$ 279,320

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (Unaudited)	2017	2016
EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 594,589	$ 593,902	$ 572,671
Contracted and general services	399,395	381,024	450,081
Materials, goods, supplies and utilities	488,172	298,535	310,307
Transfers to individuals, organizations and boards	121,190	130,042	116,648
Transfers to other governments	-	74,691	-
Amortization of tangible capital assets (Note 20)	-	346,018	372,960
Other expenditures	5,500	13,499	12,832
	$ 1,608,846	$ 1,837,711	$ 1,835,499

TOWN OF BASHAW

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Government	Protective Services	Transportation Services	Environmental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	$ 709,574	$ -	$ -	$ -	$ -	$ -	$ -	$ 709,574
Government transfers	37,825	60,657	624,512	451,432	62,786	-	26,255	1,263,467
Sales of goods and user fees	2,480	71,139	-	565,212	6,599	55	74,898	720,383
Investment income	16,655	-	-	-	-	-	-	16,655
Other revenues	111,274	87,360	7,614	7,930	-	4,769	5,861	224,808
	877,808	219,156	632,126	1,024,574	69,385	4,824	107,014	2,934,887
EXPENSES								
Contracted and general services	102,969	37,504	22,861	145,379	383	6,531	65,397	381,024
Salaries, wages and benefits	236,192	39,262	119,314	81,780	11,041	-	106,313	593,902
Materials, goods, supplies and utilities	8,507	30,813	134,152	59,231	934	3,971	60,927	298,535
Transfers - individuals, organizations, boards	22,512	74,691	-	-	85,829	-	21,701	204,733
Other expenditures	3,187	-	-	10,312	-	-	-	13,499
	373,367	182,270	276,327	296,702	98,187	10,502	254,338	1,491,693
NET REVENUE - BEFORE AMORTIZATION	504,441	36,886	355,799	727,872	(28,802)	(5,678)	(147,324)	1,443,194
Amortization of tangible capital assets	(14,605)	(5,936)	(143,564)	(103,825)	-	(894)	(77,194)	(346,018)
NET REVENUE	$ 489,836	$ 30,950	$ 212,235	$ 624,047	$ (28,802)	$ (6,572)	$ (224,518)	$ 1,097,176

GITZEL & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

The 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 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 financial statements reflect the assets, liabilities, revenues and expenditures, and changes 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.

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.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Use of Estimates - Continued

Amortization is based on the estimated useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(d) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(e) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post – remediation including operation, maintenance and monitoring.

(f) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

(g) Pension Expenditure

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

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

(h) Taxes and Grants in Place of Taxes Receivables

Current and arrears taxes and grants in place of taxes receivables consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(i) Investments

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(j) Land for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges.

(k) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments.

(l) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

(m) Requisition Over-levies and Under-levies

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

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

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

(n) Non-Financial Assets

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

(i) Tangible Capital Assets

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

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets - Continued

(i) Tangible Capital Assets - Continued

	YEARS
Buildings	25-50
Engineered structures	
Roadway system	20-30
Water system	45-75
Wastewater system	45-75
Other engineered structures	75
Machinery and equipment	5-40
Vehicles	10-25

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.

2. RECENT 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. The town is currently evaluating the effect of adopting these standards on their financial statements.

(a) Section PS 1201 - Financial Statement Presentation
This revised standard is effective in 2019, when sections PS 2601 and PS 3450 are adopted.

(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 in government financial statement and is effective for fiscal years beginning on or after April 1, 2019.

(c) Section PS 3041 - Portfolio Investments
This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2019 fiscal year.

2. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED - Continued

(d) Section PS 3450 – Financial Instruments
This section establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2019 fiscal year.

(e) Section PS 3280 – Asset Retirement Obligations
This section establishes standards on how to account for Asset Retirement Obligations and will apply in years beginning on or after April 1, 2021.

3. CASH AND SHORT TERM INVESTMENTS

	2017	2016
Cash	$ 1,433,005	$ 2,126,614
Short term investments	281,349	874,855
	$ 1,714,354	$ 3,001,469

Short term investments are valued at cost and are deposits maturing December 2018. The interest rates are at 0.50%.

Council has designated funds of $910,931 (2016 - $507,601) included in the above amounts for restricted surplus.

Included in the above are the restricted amounts of $163,754 (2016 - $949,905) of deferred grant funding, $2,264 (2016 - $65,279) of donations and $15,530 (2016 - $15,438) of tax recovery funds.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2017	2016
Current taxes and grants in place of taxes	$ 83,690	$ 80,461
Arrears taxes and grants in place of taxes	60,503	15,480
	$ 144,193	$ 95,941

5. TRADE AND OTHER RECEIVABLES

	2017	2016
Grants	$ 50,000	$ -
GST	22,994	11,537
Other	35,985	42,150
Receivable from other government	22,939	-
Utilities	71,156	53,607
	$ 203,074	$ 107,294

6. LONG-TERM INVESTMENTS

	2017	2016
Guaranteed investment certificate, due May 2019 with interest at 1.65%	$ 631,027	$ -
Highway 12/21 Regional Water Services Commission	286,780	286,780
A.M.F.C. shares, at cost	10	10
	$ 917,817	$ 286,790

7. TRUST FUNDS

A summary of trust fund activities by the town is as follows:

Tax Sale Surplus	2017	2016
Balance – beginning of year	$ 15,144	$ 15,144
Additions during the year	-	-
Balance – end of year	$ 15,144	$ 15,144

This amount is included in accounts payable.

8. DEFERRED REVENUE

	2017	2016
Grants		
Basic Municipal Transportation	$ 94,363	$ 93,802
Federal Gas Tax	96,824	139,676
Municipal Sustainability Initiative	22,566	716,427
Donations and prepayments received	2,474	65,279
	$ 216,227	$ 1,015,184

9. DUE TO HIGHWAY 12/21 REGIONAL WATER SERVICES COMMISSION

	2017	2016
Payable to Highway 12/21 Regional Water Services Commission, due $7,189 semi-annually including interest at 5.24%, maturing Dec. 2033	$ 154,448	$ 160,493
Payable to Highway 12/21 Regional Water Services Commission, due $1,387 semi-annually including interest at 4.59% maturing Dec 2034	32,500	33,740
Payable to Highway 12/21 Regional Water Services Commission, due $1,326 semi-annually including interest at 2.94%, maturing June 2040	43,398	44,743
	$ 230,346	$ 238,976

Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	$ 9,048	$ 10,755	$ 19,803
2019	9,487	10,315	19,802
2020	9,948	9,854	19,802
2021	10,433	9,370	19,803
2022	10,942	8,861	19,803
Thereafter	180,488	57,327	237,815
	$ 230,346	$ 106,482	$ 336,828

10. RECLAMATION LIABILITY

The town has an obligation to reclaim a gravel pit. The amount recorded is an estimate made by management of the costs associated with reclamation.

11. ACCUMULATED SURPLUS

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

	2017	2016
Unrestricted surplus (deficit)	$ 1,792,750	$ 1,877,713
Equity in tangible capital assets (Note 13)	10,596,944	9,818,135
Restricted surplus (Note 12)	910,931	507,601
	$ 13,300,625	$ 12,203,449

12. RESTRICTED SURPLUS

	2016	Increases	Decreases	2017
Restricted for Operating:				
Administration	$ 5,857	$ 45,834	$ -	$ 51,691
Arena renovation	2,593	17,827	10,720	9,700
Beautification	8,650	17,826	12,200	14,276
Cemetery	6,857	15,245	-	22,102
Community Centre renovation	5,467	35,598	-	41,065
Fire	7,689	4,456	7,689	4,456
Medical clinic	1,266	-	1,266	-
Roads	-	66,850	-	66,850
Seniors' transportation	4,103	-	4,103	-
Water	-	26,740	13,215	13,525
Waste water	-	26,740	-	26,740
	42,482	257,116	49,193	250,405
Restricted for Capital:				
Administration	2,620	33,182	-	35,802
Airport	4,047	1,659	-	5,706
Cemetery	5,567	4,977	-	10,544
Culture	23,443	8,295	-	31,738
Emergency services	27,466	3,318	-	30,784
Equipment replacement	132,153	-	132,153	-
Pathway system	22,500	8,295	-	30,795
Recreation	-	8,295	-	8,295
Roads	59,331	181,929	-	241,260
Subdivision, land and development	130,060	13,270	-	143,330
Tourism	2,000	1,659	-	3,659
Water infrastructure	40,602	46,090	-	86,692
Wastewater infrastructure	15,330	16,591	-	31,921
	465,119	327,560	132,153	660,526
Total	$ 507,601	$ 584,676	$ 181,346	$ 910,931

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016
Tangible capital assets (Schedule 2)	$ 18,558,184	$ 17,437,574
Accumulated amortization (Schedule 2)	(7,961,240)	(7,619,439)
	$ 10,596,944	$ 9,818,135

14. 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:

	2017			2016
	Salary(1)	Benefits Allowances(2)	Total	Total
Penny Shantz, Mayor	$ 5,250	$ 269	$ 5,519	$ 5,376
Bryan Gust, councillor	2,850	249	3,099	3,827
Darren Pearson, councillor	3,675	217	3,892	3,827
Rosella Peterman, councillor	3,675	54	3,729	3,660
Lynn Schultz, councillor	3,675	54	3,729	3,743
Rob McDonald, councilor	813	43	856	-
Theresa Fuller, CAO	$ 94,500	$ 21,488	$ 115,988	$ 116,576

(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.

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Bashaw participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 253,862 people and about 417 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 Bashaw is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess. Employees of the Town of Bashaw 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 and past service contributions by the Town of Bashaw to the Local Authorities Pension Plan in 2017 were $45,469 (2016 - $40,343). Total current and past service contributions by the employees of the Town of Bashaw to the Local Authorities Pension Plan in 2017 were $41,807 (2016 – $37,064).

At December 31, 2016, the Plan disclosed an actuarial deficiency of $637 million.

16. 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:

	2017	2016
Total debt limit	$ 2,773,238	$ 2,442,102
Total debt	-	-
Total debt limit available	2,773,238	2,442,102
Debt service limit	462,206	407,017
Debt service	-	-
Debt service limit available	$ 462,206	$ 407,017

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.

17. 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, deposit liabilities and due to Highway 12/21 Regional Water Services Commission. 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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

17. FINANCIAL INSTRUMENTS - Continued

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, 2017 the town had short-term credit card lines of credit aggregating $10,000 (2016 - $10,000) of which $NIL (2016 - $NIL) had been drawn down. The credit cards bear interest at 16.99%.

18. COMMITMENTS

The town is a member of the Highway 12/21 Regional Water Services Commission and as such are a related party. They will be required to purchase water from the commission. The town paid $16,278 (2016 - $16,577) to the commission for their share of operating expenses.

The town has entered into a 10 year agreement with the Highway 12/21 Regional Water Services Commission expiring March 20, 2022 to sell water. The agreement may be terminated by either party giving five years' written notice. Under the agreement, the commission is obligated to purchase an annual quantity of water at a price initially based on costs derived from AWWA manuals of practice and in accordance with findings and directives of the Alberta Energy and Utilities Board. The town received $51,355 (2016 - $62,585) for the sale of water.

Amounts are records at exchange amount which is the amount agreed to by the parties.

The town is a member of a waste management authority. As such, they could be subject to additional requisitions for future site and post-closure care obligations of the landfill.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

18. COMMITMENTS – Continued

The town is party to a shared fire protection services funding agreement with three other municipalities. Under the agreement they are responsible for their share of the costs of fire protection.

The town is party to the Bashaw School Enhancement Project and is a legal partner with the Battle River Regional Division #31 to help in raising funds to support the expansion of the school gymnasium.

19. CONTINGENCIES

The town has guaranteed a bank loan of the Bashaw Golf and Country Club. As of December 31, 2017 $218,607 (2016 - $234,757) is owing on the loan. The maximum amount guaranteed is $250,000.

The Town of Bashaw is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Bashaw 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.

20. AMORTIZATION

Amortization is a non-cash expense and is allocated to the different functions as follows:

	2017	2016
Administration	$ 14,605	$ 15,592
Fire, ambulance and bylaws enforcement	5,936	5,810
Roads, streets, walk, lighting	142,913	168,772
Water and wastewater	103,825	102,544
Recreation and parks	6,654	8,157
Culture	70,540	70,540
Other	1,545	1,545
	$ 346,018	$ 372,960

21. SEGMENTED DISCLOSURE

The Town of Bashaw 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.

Refer to the Schedule 6 – Segmented Disclosure.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2017 are for information purposes only and have not been audited.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.

24. COMPARATIVE FIGURES

Certain 2016 comparative figures have been reclassified in order to conform with the financial statement presentation adopted for 2017.