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TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council
Town of Bashaw

Opinion

We have audited the financial statements of the Town of Bashaw, which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the town as at December 31, 2018, the results of its operations, change in accumulated surplus and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the ability of the town to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the town's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditors' report. However, future events or conditions may cause the town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stettler, Alberta
April 18, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 2,036,236	\$ 1,714,354
Taxes and grants in place of taxes receivables (Note 4)	165,169	144,193
Trade and other receivables (Note 5)	456,875	203,074
Land held for resale	246,857	246,857
Long-term investments (Note 6)	<u>286,790</u>	<u>917,817</u>
	<u>3,191,927</u>	<u>3,226,295</u>
 LIABILITIES		
Accounts payable and accrued liabilities	107,645	95,086
Deposit liabilities	2,305	1,463
Deferred revenue (Note 8)	510,593	216,227
Due to Highway 12/21 Regional Water Services Commission (Note 9)	221,298	230,346
Reclamation liability (Note 10)	<u>8,000</u>	<u>8,000</u>
	<u>849,841</u>	<u>551,122</u>
 NET FINANCIAL ASSETS (DEBT)	 <u>2,342,086</u>	 <u>2,675,173</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	10,617,539	10,596,944
Prepaid expenses	12,978	15,231
Inventory for consumption	<u>11,413</u>	<u>13,277</u>
	<u>10,641,930</u>	<u>10,625,452</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 11)	 \$ <u>12,984,016</u>	 \$ <u>13,300,625</u>

Contingencies Note 19

APPROVED ON BEHALF OF THE TOWN COUNCIL:

_____ Mayor

TOWN OF BASHAW

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 727,428	\$ 727,531	\$ 709,574
Government transfers for operating (Schedule 4)	181,366	247,615	177,406
Sales of goods and user fees	659,550	598,664	720,383
Investment income	3,850	29,756	16,655
Rentals	13,705	18,322	18,623
Franchise and concession contracts	67,000	62,001	68,511
Penalties and costs of taxes	23,000	26,975	19,249
Other	<u>24,500</u>	<u>43,646</u>	<u>118,425</u>
Total Revenue	<u>1,700,399</u>	<u>1,754,510</u>	<u>1,848,826</u>
EXPENSES (Schedule 5)			
Legislative	35,955	33,437	46,028
Administration	386,705	363,359	327,339
Fire, ambulance and bylaws enforcement	102,533	99,083	182,269
Roads, streets, walk, lighting	335,137	333,064	276,326
Water and wastewater	483,853	413,165	218,683
Waste management	71,736	69,606	67,736
Family and community support	66,829	70,829	60,829
Subdivision land and development	14,100	10,317	10,502
Public health and welfare	37,702	28,402	37,358
Recreation and parks	287,712	272,675	201,472
Culture	46,226	54,346	52,868
Loss on disposal of tangible capital assets	-	-	10,283
Amortization (Note 20)	<u>-</u>	<u>385,089</u>	<u>346,018</u>
Total Expenses	<u>1,868,488</u>	<u>2,133,372</u>	<u>1,837,711</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>(168,089)</u>	<u>(378,862)</u>	<u>11,115</u>
OTHER			
Government transfers for capital (Schedule 4)	<u>57,600</u>	<u>62,253</u>	<u>1,086,061</u>
	<u>57,600</u>	<u>62,253</u>	<u>1,086,061</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(110,489)	(316,609)	1,097,176
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>13,300,625</u>	<u>13,300,625</u>	<u>12,203,449</u>
ACCUMULATED SURPLUS – END OF YEAR	\$ <u>13,190,136</u>	\$ <u>12,984,016</u>	\$ <u>13,300,625</u>

TOWN OF BASHAW

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ (168,089)	\$ (316,609)	\$ 1,097,176
Acquisition of tangible capital assets	(510,055)	(405,684)	(1,135,110)
Amortization of tangible capital assets	-	385,089	346,018
(Gain) loss on sale of tangible capital assets	-	-	10,283
	(510,055)	(20,595)	(778,809)
Inventory used for consumption	-	1,864	1,365
Acquisition of prepaid assets	-	(12,978)	(15,231)
Use of prepaid assets	-	15,231	7,910
	-	4,117	(5,956)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(678,144)	(333,087)	312,411
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	2,675,173	2,675,173	2,362,762
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ 1,997,029	\$ 2,342,086	\$ 2,675,173

TOWN OF BASHAW

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ (316,609)	\$ 1,097,176
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	385,089	346,018
Loss on disposal of tangible capital assets	-	10,283
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	(20,976)	(48,252)
Trade and other receivables	(253,801)	(95,780)
Prepaid expenses	2,253	(7,321)
Inventory for consumption	1,864	1,365
Accounts payable and accrued liabilities	12,559	(17,082)
Deposit liabilities	842	202
Deferred revenue	<u>294,366</u>	<u>(798,957)</u>
Net cash provided by (used in) operating activities	<u>105,587</u>	<u>487,652</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(405,684)</u>	<u>(1,135,110)</u>
Net cash provided by (used in) capital activities	<u>(405,684)</u>	<u>(1,135,110)</u>
INVESTING ACTIVITIES		
Current portion of long-term investments	631,027	-
Purchase of long – term investments	-	(631,027)
Decrease (increase) in restricted cash and short-term investments	<u>(21,015)</u>	<u>849,074</u>
Net cash provided by (used in) investing activities	<u>610,012</u>	<u>218,047</u>
FINANCING ACTIVITIES		
Due to Highway 12/21 Regional Water Services		
Commission - Payments	<u>(9,048)</u>	<u>(8,630)</u>
Net cash provided by (used in) financing activities	<u>(9,048)</u>	<u>(8,630)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	300,867	(438,041)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,532,806</u>	<u>1,970,847</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>1,833,673</u>	<u>1,532,806</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 3)	2,036,236	1,714,354
Less: Restricted portion of cash and short term investments (Note 3)	<u>(202,563)</u>	<u>(181,548)</u>
	<u>\$ 1,833,673</u>	<u>\$ 1,532,806</u>

TOWN OF BASHAW

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE - BEGINNING OF YEAR	\$ 1,792,750	\$ 910,931	\$ 10,596,944	\$ 13,300,625	\$ 12,203,449
Excess (deficiency) of revenues over expenses	(316,609)	-	-	(316,609)	1,097,176
Funds designated for future use	(25,000)	25,000	-	-	-
Restricted funds used for operations	3,101	(3,101)	-	-	-
Restricted funds used for tangible capital assets	-	(7,040)	7,040	-	-
Current year funds used for tangible capital assets	(398,644)	-	398,644	-	-
Annual amortization expense	385,089	-	(385,089)	-	-
Change in accumulated surplus	(352,063)	14,859	20,595	(316,609)	1,097,176
BALANCE - END OF YEAR	<u>\$ 1,440,687</u>	<u>\$ 925,790</u>	<u>\$ 10,617,539</u>	<u>\$ 12,984,016</u>	<u>\$ 13,300,625</u>

TOWN OF BASHAW

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
COST:								
BALANCE - BEGINNING OF YEAR	\$ 200,267	\$ 54,486	\$ 4,113,666	\$ 13,112,059	\$ 878,061	\$ 199,645	\$ 18,558,184	\$ 17,437,574
Acquisition of tangible capital assets	-	36,030	-	226,902	142,752	-	405,684	1,135,110
Disposal of tangible capital assets	-	-	-	-	-	-	-	(14,500)
BALANCE - END OF YEAR	<u>200,267</u>	<u>90,516</u>	<u>4,113,666</u>	<u>13,338,961</u>	<u>1,020,813</u>	<u>199,645</u>	<u>18,963,868</u>	<u>18,558,184</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	21,358	1,005,381	6,256,038	542,153	136,310	7,961,240	7,619,439
Annual amortization	-	4,246	80,636	244,644	48,028	7,535	385,089	346,018
Accumulated amortization on disposals	-	-	-	-	-	-	-	(4,217)
BALANCE - END OF YEAR	<u>-</u>	<u>25,604</u>	<u>1,086,017</u>	<u>6,500,682</u>	<u>590,181</u>	<u>143,845</u>	<u>8,346,329</u>	<u>7,961,240</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 200,267</u>	<u>\$ 64,912</u>	<u>\$ 3,027,649</u>	<u>\$ 6,838,279</u>	<u>\$ 430,632</u>	<u>\$ 55,800</u>	<u>\$ 10,617,539</u>	<u>\$ 10,596,944</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 200,267</u>	<u>\$ 33,128</u>	<u>\$ 3,108,285</u>	<u>\$ 6,856,021</u>	<u>\$ 335,908</u>	<u>\$ 63,335</u>	<u>\$ 10,596,944</u>	

TOWN OF BASHAW

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 891,581	\$ 891,621	\$ 866,968
Linear property taxes	23,584	23,647	24,563
Government grants in lieu of property taxes	<u>24,476</u>	<u>24,476</u>	<u>24,833</u>
	<u>939,641</u>	<u>939,744</u>	<u>916,364</u>
REQUISITIONS			
Alberta School Foundation Fund	211,451	211,451	206,003
Camrose Seniors' Foundation	<u>762</u>	<u>762</u>	<u>787</u>
	<u>212,213</u>	<u>212,213</u>	<u>206,790</u>
NET MUNICIPAL TAXES	\$ <u>727,428</u>	\$ <u>727,531</u>	\$ <u>709,574</u>

TOWN OF BASHAW

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ 94,042	\$ 140,545	\$ 70,475
Local government	87,324	89,720	106,931
Individuals and organizations	<u>-</u>	<u>17,350</u>	<u>-</u>
	<u>181,366</u>	<u>247,615</u>	<u>177,406</u>
TRANSFERS FOR CAPITAL			
Federal government	-	-	93,677
Provincial government	<u>57,600</u>	<u>62,253</u>	<u>992,384</u>
	<u>57,600</u>	<u>62,253</u>	<u>1,086,061</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>238,966</u>	\$ <u>309,868</u>	\$ <u>1,263,467</u>

SCHEDULE 5 – EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 613,525	\$ 595,460	\$ 593,902
Contracted and general services	530,438	500,485	381,024
Materials, goods, supplies and utilities	593,465	521,515	298,535
Transfers to individuals, organizations and boards	126,849	127,555	130,042
Transfers to other governments	-	-	74,691
Amortization of tangible capital assets (Note 20)	-	385,089	346,018
Other expenditures	<u>4,211</u>	<u>3,268</u>	<u>13,499</u>
	<u>\$ 1,868,488</u>	<u>\$ 2,133,372</u>	<u>\$ 1,837,711</u>

TOWN OF BASHAW

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2018

	General Government	Protective Services	Transportation Services	Environmental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 727,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 727,531
Government transfers	108,566	34,030	-	62,253	62,115	-	42,904	309,868
Sales of goods and user fees	1,818	15,275	-	501,860	9,833	-	69,878	598,664
Investment income	29,756	-	-	-	-	-	-	29,756
Other revenues	<u>109,683</u>	<u>13,741</u>	<u>2,836</u>	<u>11,955</u>	<u>-</u>	<u>5,865</u>	<u>6,864</u>	<u>150,944</u>
	<u>977,354</u>	<u>63,046</u>	<u>2,836</u>	<u>576,068</u>	<u>71,948</u>	<u>5,865</u>	<u>119,646</u>	<u>1,816,763</u>
EXPENSES								
Contracted and general services	131,392	39,639	69,929	128,809	1,671	6,503	122,542	500,485
Salaries, wages and benefits	242,286	30,648	129,362	71,824	6,539	-	114,801	595,460
Materials, goods, supplies and utilities	12,619	22,896	133,774	282,094	192	3,819	66,121	521,515
Transfers - individuals, organizations, boards	7,276	5,900	-	-	90,829	-	23,550	127,555
Other expenditures	<u>3,225</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,268</u>
	<u>396,798</u>	<u>99,083</u>	<u>333,065</u>	<u>482,770</u>	<u>99,231</u>	<u>10,322</u>	<u>327,014</u>	<u>1,748,283</u>
NET REVENUE - BEFORE AMORTIZATION	<u>580,556</u>	<u>(36,037)</u>	<u>(330,229)</u>	<u>93,298</u>	<u>(27,283)</u>	<u>(4,457)</u>	<u>(207,368)</u>	<u>68,480</u>
Amortization of tangible capital assets	<u>(12,795)</u>	<u>(6,227)</u>	<u>(174,780)</u>	<u>(109,521)</u>	<u>-</u>	<u>(894)</u>	<u>(80,872)</u>	<u>(385,089)</u>
NET REVENUE	<u>\$ 567,761</u>	<u>\$ (42,264)</u>	<u>\$ (505,009)</u>	<u>\$ (16,223)</u>	<u>\$ (27,283)</u>	<u>\$ (5,351)</u>	<u>\$ (288,240)</u>	<u>\$ (316,609)</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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:

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. Management is currently evaluating the effect of adopting these standards on the financial statements.

(a) Section PS 1201 - Financial Statement Presentation

This section provides guidance on general reporting principles and disclosure of information in financial statements. Effective April 1, 2021.

(b) Section PS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency. Effective April 1, 2021.

(c) Section PS 3041 - Portfolio Investments

This section establishes standards on how to account for and report portfolio investments in government financial statements. Effective April 1, 2021.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

2. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED - Continued

(d) Section PS 3450 – Financial Instruments

This section establishes guidance on the recognition, measurement and disclosure requirements for financial instruments. Effective April 1, 2021.

(e) Section PS 3280 – Asset Retirement Obligations

This section establishes standards on how to account for a liability for retirement of a tangible capital asset and will apply in years beginning on or after April 1, 2021.

(f) Section PS 3430 – Restructuring Transactions

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Effective for fiscal periods beginning on or after April 1, 2018

(g) Section PS 3400 – Revenue (effective April 1, 2022)

Effective April 1, 2022, this new section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

3. CASH AND SHORT TERM INVESTMENTS

	2018	2017
Cash	\$ 1,109,465	\$ 1,433,005
Short term investments	<u>926,771</u>	<u>281,349</u>
	<u>\$ 2,036,236</u>	<u>\$ 1,714,354</u>

Short term investments are valued at cost and are deposits maturing January and May 2019. The interest rates are at 1.65% and 2.12%.

Council has designated funds of \$925,790 (2017 - \$910,931) included in the above amounts for restricted surplus.

Included in the above are the restricted amounts of \$186,829 (2017 - \$163,754) of deferred grant funding, \$NIL (2017 - \$2,264) of donations and \$15,734 (2017 - \$15,530) of tax recovery funds.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2018	2017
Current taxes and grants in place of taxes	\$ 80,348	\$ 83,690
Arrears taxes and grants in place of taxes	<u>84,821</u>	<u>60,503</u>
	<u>\$ 165,169</u>	<u>\$ 144,193</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

5. TRADE AND OTHER RECEIVABLES

Grants	\$ 323,764	\$ 50,000
GST	10,390	22,994
Other	24,508	35,985
Receivable from other government	23,001	22,939
Utilities	<u>75,212</u>	<u>71,156</u>
	<u>\$ 456,875</u>	<u>\$ 203,074</u>

6. LONG-TERM INVESTMENTS

	2018	2017
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	<u>10</u>	<u>10</u>
	<u>\$ 286,790</u>	<u>\$ 917,817</u>

7. TRUST FUNDS

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

	2018	2017
Tax Sale Surplus		
Balance – beginning of year	\$ 15,144	\$ 15,144
Additions during the year	<u>-</u>	<u>-</u>
Balance – end of year	<u>\$ 15,144</u>	<u>\$ 15,144</u>

This amount is included in accounts payable.

8. DEFERRED REVENUE

	2018	2017
Grants		
Basic Municipal Transportation	\$ 95,600	\$ 94,363
Federal Gas Tax	147,935	96,824
Municipal Sustainability Initiative	267,058	22,566
Donations and prepayments received	<u>-</u>	<u>2,474</u>
	<u>\$ 510,593</u>	<u>\$ 216,227</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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

	2018	2017
Payable to Highway 12/21 Regional Water Services Commission, due \$7,189 semi-annually including interest at 5.24%, maturing Dec. 2033	\$ 148,081	\$ 154,448
Payable to Highway 12/21 Regional Water Services Commission, due \$1,387 semi-annually including interest at 4.59% maturing Dec 2034	31,203	32,500
Payable to Highway 12/21 Regional Water Services Commission, due \$1,326 semi-annually including interest at 2.94%, maturing June 2040	<u>42,014</u>	<u>43,398</u>
	<u>\$ 221,298</u>	<u>\$ 230,346</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2023	11,475	8,327	19,802
Thereafter	<u>169,013</u>	<u>49,000</u>	<u>218,013</u>
	<u>\$ 221,298</u>	<u>\$ 95,727</u>	<u>\$ 317,025</u>

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:

	2018	2017
Unrestricted surplus (deficit)	\$ 1,440,687	\$ 1,792,750
Equity in tangible capital assets (Note 13)	10,617,539	10,596,944
Restricted surplus (Note 12)	<u>925,790</u>	<u>910,931</u>
	<u>\$ 12,984,016</u>	<u>\$ 13,300,625</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

12. RESTRICTED SURPLUS

	2017	Increases	Decreases	2018
Restricted for Operating:				
Administration	\$ 51,691	\$ -	\$ -	\$ 51,691
Cemetery	22,102	-	-	22,102
Culture	41,065	-	7,041	34,024
Fire	4,456	-	-	4,456
Parks	14,276	-	-	14,276
Recreation	9,700	-	-	9,700
Roads and streets	66,850	-	-	66,850
Water	13,525	-	-	13,525
Waste water	<u>26,740</u>	<u>-</u>	<u>-</u>	<u>26,740</u>
	<u>250,405</u>	<u>-</u>	<u>7,041</u>	<u>243,364</u>
Restricted for Capital:				
Administration	35,802	-	-	35,802
Airport	5,706	-	-	5,706
Cemetery	10,544	-	-	10,544
Culture	31,738	-	-	31,738
Emergency services	30,784	-	3,100	27,684
Parks	30,795	-	-	30,795
Recreation	8,295	-	-	8,295
Roads, streets and equipment	241,260	-	-	241,260
Subdivision, land and development	143,330	-	-	143,330
Tourism	3,659	-	-	3,659
Water infrastructure	86,692	25,000	-	111,692
Wastewater infrastructure	<u>31,921</u>	<u>-</u>	<u>-</u>	<u>31,921</u>
	<u>660,526</u>	<u>25,000</u>	<u>3,100</u>	<u>682,426</u>
Total	<u>\$ 910,931</u>	<u>\$ 25,000</u>	<u>\$ 10,141</u>	<u>\$ 925,790</u>

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2018	2017
Tangible capital assets (Schedule 2)	\$ 18,963,868	\$ 18,558,184
Accumulated amortization (Schedule 2)	<u>(8,346,329)</u>	<u>(7,961,240)</u>
	<u>\$ 10,617,539</u>	<u>\$ 10,596,944</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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:

	2018			2017
	Salary(1)	Benefits Allowances(2)	Total	
Penny Shantz, Mayor	\$ 5,700	\$ 180	\$ 5,880	\$ 5,519
Darren Pearson, councillor	4,200	231	4,431	3,892
Rosella Peterman, councillor	4,200	51	4,251	3,729
Lynn Schultz, councillor	4,200	51	4,251	3,729
Rob McDonald, councilor	4,200	231	4,431	856
Bryan Gust, councillor	-	-	-	3,099
Theresa Fuller, CAO	\$ 99,746	\$ 21,146	\$ 120,892	\$ 115,988

(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 259,714 people and about 420 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 10.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 14.84% for the excess. Employees of the Town of Bashaw are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current and past service contributions by the Town of Bashaw to the Local Authorities Pension Plan in 2018 were \$43,431 (2017 - \$45,469). Total current and past service contributions by the employees of the Town of Bashaw to the Local Authorities Pension Plan in 2018 were \$39,153 (2017 - \$41,807).

At December 31, 2017, the Plan disclosed an actuarial surplus of \$4,84 billion.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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:

	2018	2017
Total debt limit	\$ 2,631,765	\$ 2,773,238
Total debt	-	-
Total debt limit available	<u>2,631,765</u>	<u>2,773,238</u>
Debt service limit	438,628	462,206
Debt service	-	-
Debt service limit available	<u>\$ 438,628</u>	<u>\$ 462,206</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.

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, 2018

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 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, 2018 the town had short-term credit card lines of credit aggregating \$10,000 (2017 - \$10,000) of which \$NIL (2017 - \$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. The town paid \$NIL (2017 - \$16,278) to the commission for their share of operating expenses. The town is no longer required to pay lump sum payments for operating expenses as their share of operating expenses is included in the amount they pay for water purchases. A water supply agreement was entered into effective September 8, 2017 with the commission. The agreement expires September 8, 2042. The town purchased water from the commission during the year in the amount of \$252,720 (2017 - \$NIL).

The town entered into a 10 year agreement with the Highway 12/21 Regional Water Services Commission expiring March 20, 2022 to sell water to the commission. The agreement was terminated effective September 8, 2017. The town received \$NIL (2017 - \$51,355) for the sale of water.

Amounts are recorded 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.

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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

19. CONTINGENCIES

The town has guaranteed a bank loan of the Bashaw Golf and Country Club. As of December 31, 2018 \$203,289 (2017 - \$218,607) 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:

	2018	2017
Administration	\$ 12,795	\$ 14,605
Fire, ambulance and bylaws enforcement	6,227	5,936
Roads, streets, walk, lighting	174,129	142,913
Water and wastewater	109,521	103,825
Recreation and parks	9,139	6,654
Culture	71,733	70,540
Other	1,545	1,545
	<u>\$ 385,089</u>	<u>\$ 346,018</u>

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.

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2018 are for information purposes only and have not been audited.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.