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TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Bashaw is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the town's financial position as at December 31, 2019 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The town council carries out its responsibilities for review of the financial statements principally through council meetings. They meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to Council with and without the presence of management. The Town Council has approved the financial statements.

The financial statements have been audited by Gitzel & Company, Chartered Professional Accountants, independent external auditors appointed by the town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the town's financial statements.

Chief Administrative Officer

Date

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, 2019 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, 2019, the results of its operations, change in its net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Stettler, Alberta
April 23, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 1,408,046	\$ 2,036,236
Taxes and grants in place of taxes receivables (Note 4)	132,040	165,169
Trade and other receivables (Note 5)	161,603	456,875
Land held for resale	246,857	246,857
Long-term investments (Note 6)	<u>374,005</u>	<u>286,790</u>
	<u>2,322,551</u>	<u>3,191,927</u>
LIABILITIES		
Accounts payable and accrued liabilities	132,804	107,645
Deposit liabilities	3,214	2,305
Deferred revenue (Note 8)	-	510,593
Due to Highway 12/21 Regional Water Services Commission (Note 9)	297,863	221,298
Reclamation liability (Note 10)	<u>8,000</u>	<u>8,000</u>
	<u>441,881</u>	<u>849,841</u>
NET FINANCIAL ASSETS (DEBT)	<u>1,880,670</u>	<u>2,342,086</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	11,453,945	10,617,539
Prepaid expenses	18,506	12,978
Inventory for consumption	<u>9,328</u>	<u>11,413</u>
	<u>11,481,779</u>	<u>10,641,930</u>
ACCUMULATED SURPLUS (Schedule 1, Note 11)	\$ <u>13,362,449</u>	\$ <u>12,984,016</u>
Contingencies Note 19		

APPROVED ON BEHALF OF THE TOWN COUNCIL:

_____ Mayor

TOWN OF BASHAW

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 748,311	\$ 748,310	\$ 727,531
Government transfers for operating (Schedule 4)	194,933	193,101	247,615
Sales of goods and user fees	626,388	625,517	598,664
Investment income	14,000	30,604	29,756
Rentals	13,101	17,527	18,322
Franchise and concession contracts	63,000	65,797	62,001
Penalties and costs of taxes	30,000	30,329	26,975
Other	<u>41,750</u>	<u>49,833</u>	<u>43,646</u>
Total Revenue	<u>1,731,483</u>	<u>1,761,018</u>	<u>1,754,510</u>
EXPENSES (Schedule 5)			
Legislative	37,650	34,333	33,437
Administration	360,699	373,853	363,359
Fire, ambulance and bylaws enforcement	102,017	114,821	99,083
Roads, streets, walk, lighting	306,384	336,288	333,064
Water and wastewater	468,467	496,906	413,165
Waste management	71,559	72,919	69,606
Family and community support	60,829	60,829	70,829
Subdivision land and development	15,107	17,231	10,317
Public health and welfare	32,593	23,861	28,402
Recreation and parks	228,720	273,997	272,675
Culture	55,457	48,811	54,346
Loss on disposal of tangible capital assets	-	24,242	-
Amortization (Note 20)	<u>-</u>	<u>405,624</u>	<u>385,089</u>
Total Expenses	<u>1,739,482</u>	<u>2,283,715</u>	<u>2,133,372</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>(7,999)</u>	<u>(522,697)</u>	<u>(378,862)</u>
OTHER			
Government transfers for capital (Schedule 4)	<u>768,349</u>	<u>901,130</u>	<u>62,253</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	760,350	378,433	(316,609)
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>12,984,016</u>	<u>12,984,016</u>	<u>13,300,625</u>
ACCUMULATED SURPLUS – END OF YEAR	\$ <u>13,744,366</u>	\$ <u>13,362,449</u>	\$ <u>12,984,016</u>

TOWN OF BASHAW

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>747,240</u>	\$ <u>378,433</u>	\$ <u>(316,609)</u>
Acquisition of tangible capital assets	(1,200,000)	(1,266,272)	(405,684)
Amortization of tangible capital assets	-	405,624	385,089
(Gain) loss on disposal of tangible capital assets	<u>-</u>	<u>24,242</u>	<u>-</u>
	<u>(1,200,000)</u>	<u>(836,406)</u>	<u>(20,595)</u>
Inventory used for consumption	-	2,085	1,864
Acquisition of prepaid assets	-	(18,506)	(12,978)
Use of prepaid assets	<u>-</u>	<u>12,978</u>	<u>15,231</u>
	<u>-</u>	<u>(3,443)</u>	<u>4,117</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(452,760)	(461,416)	(333,087)
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>2,342,086</u>	<u>2,342,086</u>	<u>2,675,173</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u>1,889,326</u>	\$ <u>1,880,670</u>	\$ <u>2,342,086</u>

TOWN OF BASHAW
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 378,433	\$ (316,609)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	405,624	385,089
Loss on disposal of tangible capital assets	24,242	-
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	33,129	(20,976)
Trade and other receivables	295,272	(253,801)
Prepaid expenses	(5,528)	2,253
Inventory for consumption	2,085	1,864
Accounts payable and accrued liabilities	25,159	12,559
Deposit liabilities	909	842
Deferred revenue	<u>(510,593)</u>	<u>294,366</u>
Net cash provided by (used in) operating activities	<u>648,732</u>	<u>105,587</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(1,266,272)</u>	<u>(405,684)</u>
Net cash provided by (used in) capital activities	<u>(1,266,272)</u>	<u>(405,684)</u>
INVESTING ACTIVITIES		
Current portion of long-term investments	-	631,027
Decrease (increase) in restricted cash and short-term investments	<u>202,563</u>	<u>(21,015)</u>
Net cash provided by (used in) investing activities	<u>202,563</u>	<u>610,012</u>
FINANCING ACTIVITIES		
Due to Highway 12/21 Regional Water Services Commission - Payments	<u>(10,650)</u>	<u>(9,048)</u>
Net cash provided by (used in) financing activities	<u>(10,650)</u>	<u>(9,048)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(425,627)	300,867
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,833,673</u>	<u>1,532,806</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>1,408,046</u>	<u>1,833,673</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 3)	1,408,046	2,036,236
Less: Restricted portion of cash and short term investments (Note 3)	<u>-</u>	<u>(202,563)</u>
	\$ <u>1,408,046</u>	\$ <u>1,833,673</u>

TOWN OF BASHAW

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE - BEGINNING 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>
Excess (deficiency) of revenues over expenses	378,433	-	-	378,433	(316,609)
Funds designated for future use	(1,750)	1,750	-	-	-
Restricted funds used for operations	34,250	(34,250)	-	-	-
Restricted funds used for tangible capital assets	-	(60,700)	60,700	-	-
Current year funds used for tangible capital assets	(1,205,572)	-	1,205,572	-	-
Disposal of tangible capital assets	24,242	-	(24,242)	-	-
Annual amortization expense	<u>405,624</u>	<u>-</u>	<u>(405,624)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>(364,773)</u>	<u>(93,200)</u>	<u>836,406</u>	<u>378,433</u>	<u>(316,609)</u>
BALANCE - END OF YEAR	\$ <u>1,075,914</u>	\$ <u>832,590</u>	\$ <u>11,453,945</u>	\$ <u>13,362,449</u>	\$ <u>12,984,016</u>

TOWN OF BASHAW

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019	2018
COST:								
BALANCE - BEGINNING OF YEAR	\$ 200,267	\$ 90,516	\$ 4,113,666	\$ 13,338,961	\$ 1,020,813	\$ 199,645	\$ 18,963,868	\$ 18,558,184
Acquisition of tangible capital assets	-	23,994	-	1,219,278	-	23,000	1,266,272	405,684
Disposal of tangible capital assets	-	-	-	(14,503)	-	(51,500)	(66,003)	-
BALANCE - END OF YEAR	<u>200,267</u>	<u>114,510</u>	<u>4,113,666</u>	<u>14,543,736</u>	<u>1,020,813</u>	<u>171,145</u>	<u>20,164,137</u>	<u>18,963,868</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	25,604	1,086,017	6,500,682	590,181	143,845	8,346,329	7,961,240
Annual amortization	-	6,234	80,636	258,220	54,806	5,728	405,624	385,089
Accumulated amortization on disposals	-	-	-	(10,941)	-	(30,820)	(41,761)	-
BALANCE - END OF YEAR	<u>-</u>	<u>31,838</u>	<u>1,166,653</u>	<u>6,747,961</u>	<u>644,987</u>	<u>118,753</u>	<u>8,710,192</u>	<u>8,346,329</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 200,267</u>	<u>\$ 82,672</u>	<u>\$ 2,947,013</u>	<u>\$ 7,795,775</u>	<u>\$ 375,826</u>	<u>\$ 52,392</u>	<u>\$ 11,453,945</u>	<u>\$ 10,617,539</u>
2018 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>	

TOWN OF BASHAW

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	\$ 906,872	\$ 906,727	\$ 891,621
Linear property taxes	29,819	29,963	23,647
Government grants in lieu of property taxes	<u>24,406</u>	<u>24,406</u>	<u>24,476</u>
	<u>961,097</u>	<u>961,096</u>	<u>939,744</u>
REQUISITIONS			
Alberta School Foundation Fund	212,021	212,021	211,451
Camrose Seniors' Foundation	<u>765</u>	<u>765</u>	<u>762</u>
	<u>212,786</u>	<u>212,786</u>	<u>212,213</u>
NET MUNICIPAL TAXES	\$ <u>748,311</u>	\$ <u>748,310</u>	\$ <u>727,531</u>

TOWN OF BASHAW

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial government	\$ 93,542	\$ 92,490	\$ 140,545
Local government	98,260	97,480	89,720
Individuals and organizations	<u>3,131</u>	<u>3,131</u>	<u>17,350</u>
	<u>194,933</u>	<u>193,101</u>	<u>247,615</u>
TRANSFERS FOR CAPITAL			
Federal government	198,329	248,329	-
Individuals and organizations	-	29,781	-
Local government	-	53,000	-
Provincial government	<u>570,020</u>	<u>570,020</u>	<u>62,253</u>
	<u>768,349</u>	<u>901,130</u>	<u>62,253</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>963,282</u>	\$ <u>1,094,231</u>	\$ <u>309,868</u>

SCHEDULE 5 – EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 627,528	\$ 635,287	\$ 595,460
Contracted and general services	394,960	496,953	500,485
Materials, goods, supplies and utilities	610,517	623,512	521,515
Transfers to individuals, organizations and boards	102,577	94,433	127,555
Loss on disposal of tangible capital assets	-	24,242	-
Amortization of tangible capital assets (Note 20)	-	405,624	385,089
Other expenditures	<u>3,901</u>	<u>3,664</u>	<u>3,268</u>
	<u>\$ 1,739,483</u>	<u>\$ 2,283,715</u>	<u>\$ 2,133,372</u>

TOWN OF BASHAW

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2019

	General Government	Protective Services	Transportation Services	Environmental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 748,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,310
Government transfers	10,899	40,268	31,387	798,963	62,190	-	150,524	1,094,231
Sales of goods and user fees	2,355	33,554	-	520,422	3,959	-	65,227	625,517
Investment income	30,604	-	-	-	-	-	-	30,604
Other revenues	<u>112,411</u>	<u>19,302</u>	<u>2,228</u>	<u>18,901</u>	<u>-</u>	<u>5,883</u>	<u>4,762</u>	<u>163,487</u>
	<u>904,579</u>	<u>93,124</u>	<u>33,615</u>	<u>1,338,286</u>	<u>66,149</u>	<u>5,883</u>	<u>220,513</u>	<u>2,662,149</u>
EXPENSES								
Contracted and general services	122,887	39,855	67,904	170,099	3,862	13,030	79,317	496,954
Salaries, wages and benefits	251,585	37,390	125,085	76,491	9,625	-	135,111	635,287
Materials, goods, supplies and utilities	22,150	37,577	144,153	322,075	373	4,201	92,983	623,512
Transfers - individuals, organizations, boards	8,206	-	-	-	70,829	-	15,398	94,433
Loss on sale of tangible capital assets	-	20,680	-	3,562	-	-	-	24,242
Other expenditures	<u>3,357</u>	<u>-</u>	<u>-</u>	<u>307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,664</u>
	<u>408,185</u>	<u>135,502</u>	<u>337,142</u>	<u>572,534</u>	<u>84,689</u>	<u>17,231</u>	<u>322,809</u>	<u>1,878,092</u>
NET REVENUE - BEFORE AMORTIZATION	<u>496,394</u>	<u>(42,378)</u>	<u>(303,527)</u>	<u>765,752</u>	<u>(18,540)</u>	<u>(11,348)</u>	<u>(102,296)</u>	<u>784,057</u>
Amortization of tangible capital assets	<u>(12,488)</u>	<u>(5,720)</u>	<u>(184,031)</u>	<u>(114,914)</u>	<u>-</u>	<u>(894)</u>	<u>(87,577)</u>	<u>(405,624)</u>
NET REVENUE	<u>\$ 483,906</u>	<u>\$ (48,098)</u>	<u>\$ (487,558)</u>	<u>\$ 650,838</u>	<u>\$ (18,540)</u>	<u>\$ (12,242)</u>	<u>\$ (189,873)</u>	<u>\$ 378,433</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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, changes in fund balances and change in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the town and are, therefore, accountable to the council for the administration of their financial affairs and resources.

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, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Use of Estimates - Continued

The value of long-term investments is subject to measurement uncertainty. To estimate the amount of allowance for impairment, the cost of the investment was compared to the amount reasonably possible to be received upon disposal.

An area requiring the use of management's estimates was the reclamation liability. The liability is in relation to costs associated with reclaiming a gravel pit. The amount of the liability was determined by estimating the cost to the town of hiring third party contractors to perform the reclamation. Any changes in assumptions or value of services could result in the understatement of the liability.

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 the transfer of assets from senior levels of government that are not the result of and exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

(g) Pension Expenditure

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

TOWN OF BASHAW
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Pension Expenditure - Continued

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.

(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. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(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:

	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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

2. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED - Continued

(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.

(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 3400 – Revenue

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

	2019	2018
Cash	\$ 481,910	\$ 1,109,465
Short term investments	<u>926,136</u>	<u>926,771</u>
	<u>\$ 1,408,046</u>	<u>\$ 2,036,236</u>

Short term investments are valued at cost and are deposits maturing January and May 2019. The interest rates are at 2.24% and 1.90%.

Council has designated funds of \$832,590 (2018 - \$925,790) included in the above amounts for restricted surplus.

Included in the above are the restricted amounts of \$NIL (2018 - \$186,829) of deferred grant funding, \$15,144 (2018 - \$15,734) of tax recovery funds.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2019	2018
Current taxes and grants in place of taxes	\$ 86,731	\$ 80,348
Arrears taxes and grants in place of taxes	<u>45,309</u>	<u>84,821</u>
	<u>\$ 132,040</u>	<u>\$ 165,169</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

5. TRADE AND OTHER RECEIVABLES

Grants	\$	-	\$	323,764
GST		10,643		10,390
Other		27,921		24,508
Receivable from other government		32,275		23,001
Utilities		<u>90,764</u>		<u>75,212</u>
	\$	<u>161,603</u>	\$	<u>456,875</u>

6. LONG-TERM INVESTMENTS

	2019		2018	
Highway 12/21 Regional Water Services Commission	\$ 373,995	\$	286,780	
A.M.F.C. shares, at cost	<u>10</u>	<u>10</u>		
	\$ <u>374,005</u>	\$	<u>286,790</u>	

7. TRUST FUNDS

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

	2019		2018	
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

	2019		2018	
Grants				
Basic Municipal Transportation	\$ -	\$	95,600	
Federal Gas Tax	-		147,935	
Municipal Sustainability Initiative	<u>-</u>	<u>267,058</u>		
	\$ <u>-</u>	\$	<u>510,593</u>	

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019	2018
Payable to Highway 12/21 Regional Water Services Commission, due \$7,189 semi-annually including interest at 5.24%, maturing Dec. 2033	\$ 141,377	\$ 148,081
Payable to Highway 12/21 Regional Water Services Commission, due \$1,387 semi-annually including interest at 4.59% maturing Dec 2034	29,845	31,203
Payable to Highway 12/21 Regional Water Services Commission, due \$1,326 semi-annually including interest at 2.94%, maturing June 2040	40,589	42,014
Payable to Highway 12/21 Regional Water Services Commission, due \$2,528 semi-annually including interest at 3.132%, maturing March 2044	<u>86,052</u>	<u>-</u>
	<u>\$ 297,863</u>	<u>\$ 221,298</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 12,329	\$ 12,530	\$ 24,859
2021	12,888	11,971	24,859
2022	13,474	11,385	24,859
2023	14,088	10,771	24,859
2024	14,731	10,128	24,859
Thereafter	<u>230,353</u>	<u>66,463</u>	<u>296,816</u>
	<u>\$ 297,863</u>	<u>\$ 123,248</u>	<u>\$ 421,111</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:

	2019	2018
Unrestricted surplus (deficit)	\$ 1,075,914	\$ 1,440,687
Equity in tangible capital assets (Note 13)	11,453,945	10,617,539
Restricted surplus (Note 12)	<u>832,590</u>	<u>925,790</u>
	<u>\$ 13,362,449</u>	<u>\$ 12,984,016</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

12. RESTRICTED SURPLUS

	2018	Increases	Decreases	2019
Restricted for Operating:				
Administration	\$ 51,691	\$ -	\$ 41,155	\$ 10,536
Cemetery	22,102	-	-	22,102
Culture	34,024	-	-	34,024
Fire	4,456	1,750	-	6,206
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>21,095</u>	<u>5,645</u>
	<u>243,364</u>	<u>1,750</u>	<u>71,950</u>	<u>173,164</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	27,684	-	23,000	4,684
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	111,692	-	-	111,692
Wastewater infrastructure	<u>31,921</u>	<u>-</u>	<u>-</u>	<u>31,921</u>
	<u>682,426</u>	<u>-</u>	<u>23,000</u>	<u>659,426</u>
Total	<u>\$ 925,790</u>	<u>\$ 1,750</u>	<u>\$ 94,950</u>	<u>\$ 832,590</u>

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2019	2018
Tangible capital assets (Schedule 2)	\$ 20,164,137	\$ 18,963,868
Accumulated amortization (Schedule 2)	<u>(8,720,192)</u>	<u>(8,346,329)</u>
	<u>\$ 11,453,945</u>	<u>\$ 10,617,539</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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:

	2019			2018
	Salary(1)	Benefits Allowances(2)	Total	Total
Penny Shantz, Mayor	\$ 5,700	\$ 49	\$ 5,749	\$ 5,880
Darren Pearson, councillor	4,200	98	4,298	4,431
Rosella Peterman, councillor	4,200	49	4,249	4,251
Lynn Schultz, councillor	4,200	49	4,249	4,251
Rob McDonald, councilor	4,200	98	4,298	4,431
Theresa Fuller, CAO	\$ 101,166	\$ 20,687	\$ 121,853	\$ 120,892

(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 265,813 people and about 421 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 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.84% for the excess. Employees of the Town of Bashaw are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current and past service contributions by the Town of Bashaw to the Local Authorities Pension Plan in 2019 were \$39,762 (2018 - \$43,431). Total current and past service contributions by the employees of the Town of Bashaw to the Local Authorities Pension Plan in 2019 were \$35,897 (2018 - \$39,153).

At December 31, 2018, the Plan disclosed an actuarial surplus of \$3.5 billion.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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:

	2019	Restated 2018
Total debt limit	\$ 2,765,700	\$ 2,631,765
Total debt	<u>297,863</u>	<u>221,298</u>
Total debt limit available	<u>2,467,837</u>	<u>2,410,467</u>
Debt service limit	460,950	438,628
Debt service	<u>24,859</u>	<u>19,803</u>
Debt service limit available	\$ <u>436,091</u>	\$ <u>418,825</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, 2019

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, 2019 the town had short-term credit card lines of credit aggregating \$10,000 (2018 - \$10,000) of which \$NIL (2018 - \$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 are a related party. The town has entered into a 25 year agreement to receive water, expiring September 2042. The town purchased water from the commission during the year in the amount of \$274,058 (2018 - \$252,720). Included in accounts payable is \$25,397 due to the commission.

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 a party to a waste disposal agreement with Camrose County, which expires June 30, 2024. The town has agreed to pay \$18 per tonne.

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, 2019

19. CONTINGENCIES

The town has guaranteed a bank loan of the Bashaw Golf and Country Club. As of December 31, 2019 \$188,318 (2018 - \$203,289) 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:

	2019	2018
Administration	\$ 12,488	\$ 12,795
Fire, ambulance and bylaws enforcement	5,720	6,227
Roads, streets, walk, lighting	183,379	174,129
Water and wastewater	114,914	109,521
Recreation and parks	15,734	9,139
Culture	71,844	71,733
Other	<u>1,545</u>	<u>1,545</u>
	\$ <u>405,624</u>	\$ <u>385,089</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, 2019 are for information purposes only and have not been audited.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

24. SUBSEQUENT EVENTS

Subsequent to year-end, the spread of COVID-19 triggered a public health emergency in the Province of Alberta.

This event has impacted the town's ratepayers, suppliers and other third parties with which the town does business. This event could cause significant changes to the timing and/or amounts realized in relation to the town's assets and/or liabilities and may have a significant effect on its financial results.

The impact to the town cannot be quantified at this time.