

TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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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, 2023 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.

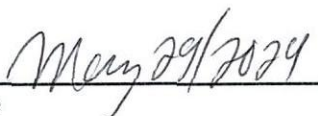
The town council carries out its responsibilities for review of the financial statements principally through council meetings. They meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

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



*Peggy Weinzierl, CPA, CA *Scott St. Arnaud, CPA, CA *Jolene P. Kobi, CPA, CA *Justin J. Tanner, CPA, CA

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, 2023 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes and schedules 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, 2023, 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 Municipal 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
May 29, 2024

Mitzel & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	Restated (Note 3) 2022
FINANCIAL ASSETS		
Cash and short term investments (Note 4)	\$ 1,678,030	\$ 1,530,343
Taxes and grants in place of taxes receivables (Note 5)	175,257	135,865
Trade and other receivables (Note 6)	204,966	332,492
Long-term investments (Note 7)	<u>373,995</u>	<u>373,995</u>
	<u>2,432,248</u>	<u>2,372,695</u>
LIABILITIES		
Accounts payable and accrued liabilities	176,967	134,279
Tax sale surplus (Note 8)	20,915	6,927
Deposit liabilities	1,997	2,793
Deferred revenue (Note 9)	67,555	103,252
Due to Highway 12/21 Regional Water Services Commission (Note 10)	245,085	259,173
Reclamation liability (Note 11)	12,800	12,800
Asset retirement obligation (Note 12)	<u>387,254</u>	<u>375,906</u>
	<u>912,573</u>	<u>895,130</u>
NET FINANCIAL ASSETS (DEBT)	<u>1,519,675</u>	<u>1,477,565</u>
NON-FINANCIAL ASSETS		
Land held for resale	250,062	243,106
Prepaid expenses	17,500	13,993
Inventory for consumption	4,378	4,378
Tangible capital assets (Schedule 2)	<u>10,946,084</u>	<u>11,393,264</u>
	<u>11,218,024</u>	<u>11,654,741</u>
ACCUMULATED SURPLUS (Schedule 1, Note 13)	\$ <u>12,737,699</u>	\$ <u>13,132,306</u>
Commitments (Note 20)		
Contingencies (Note 21)		

APPROVED ON BEHALF OF THE TOWN COUNCIL:


 _____ Mayor

TOWN OF BASHAW

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	Restated (Note 3) 2022
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 840,010	\$ 839,887	\$ 818,567
Government transfers for operating (Schedule 4)	242,331	230,079	215,157
Sales of goods and user fees	753,783	805,050	730,063
Investment income	25,000	86,944	33,438
Rentals	32,695	29,303	31,863
Franchise and concession contracts	66,321	61,160	74,615
Penalties and costs of taxes	30,000	34,154	28,371
Other	17,552	36,647	32,585
Gain on disposal of tangible capital assets	-	4,973	-
Total Revenue	<u>2,007,692</u>	<u>2,128,197</u>	<u>1,964,659</u>
EXPENSES (Schedule 5)			
Legislative	32,060	31,604	31,555
Administration	408,623	390,335	365,399
Fire, ambulance and bylaws enforcement	158,868	250,560	144,140
Roads, streets, walk, lighting	411,686	451,831	357,269
Water and wastewater	626,284	617,921	600,620
Waste management	80,761	76,398	74,854
Family and community support	58,837	59,873	58,450
Subdivision land and development	53,416	24,426	77,816
Public health and welfare	12,102	18,167	9,477
Recreation and parks	365,443	322,027	289,168
Culture	56,870	54,677	65,404
Amortization (Note 22)	-	455,344	457,529
Accretion (Note 12)	-	18,879	17,976
Loss on disposal of tangible capital assets	-	-	6,897
Total Expenses	<u>2,264,950</u>	<u>2,772,042</u>	<u>2,556,554</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	(257,258)	(643,845)	(591,895)
OTHER			
Government transfers for capital (Schedule 4)	<u>257,258</u>	<u>249,238</u>	<u>193,221</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	\$ <u>-</u>	<u>(394,607)</u>	<u>(398,674)</u>
ACCUMULATED SURPLUS – BEGINNING OF YEAR			
As previously reported		13,478,634	13,858,243
Prior period restatement (Note 3)		<u>(346,328)</u>	<u>(327,263)</u>
As restated		<u>13,132,306</u>	<u>13,530,980</u>
ACCUMULATED SURPLUS – END OF YEAR		\$ <u>12,737,699</u>	\$ <u>13,132,306</u>

TOWN OF BASHAW

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	Restated (Note 3) 2022
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ (394,607)	\$ (398,674)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	455,344	457,529
Gain/Loss on disposal of tangible capital assets	(4,973)	6,897
Accretion	18,879	17,976
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	(39,392)	(46,437)
Trade and other receivables	127,526	403,685
Prepaid expenses	(3,507)	4,196
Inventory for consumption	-	2,702
Cost of land held for resale	(6,956)	10
Accounts payable and accrued liabilities	42,688	(22,406)
Tax sale surplus	13,988	-
Deposit liabilities	(796)	1,168
Deferred revenue	(35,697)	(57,507)
Net cash provided by (used in) operating activities	<u>172,497</u>	<u>369,139</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(15,695)	(53,425)
Proceeds on disposal of tangible capital assets	<u>4,973</u>	<u>-</u>
Net cash provided by (used in) capital activities	<u>(10,722)</u>	<u>(53,425)</u>
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash and short-term investments	<u>(77,288)</u>	<u>94,193</u>
Net cash provided by (used in) investing activities	<u>(77,288)</u>	<u>94,193</u>
FINANCING ACTIVITIES		
Due to Highway 12/21 Regional Water Services Commission - Payments	<u>(14,088)</u>	<u>(13,474)</u>
Net cash provided by (used in) financing activities	<u>(14,088)</u>	<u>(13,474)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	70,399	396,433
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,519,161</u>	<u>1,122,728</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>1,589,560</u>	<u>1,519,161</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 4)	1,678,030	1,530,343
Less: Restricted portion of cash and short term investments (Note 4)	<u>(88,470)</u>	<u>(11,182)</u>
	<u>\$ 1,589,560</u>	<u>\$ 1,519,161</u>

TOWN OF BASHAW

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	Restated (Note 3) 2022
BALANCE - BEGINNING OF YEAR					
As previously reported	\$ 1,619,620	\$ 495,328	\$ 11,363,686	\$ 13,478,634	\$ 13,858,243
Prior period restatement (Note 3)	<u>-</u>	<u>-</u>	<u>(346,328)</u>	<u>(346,328)</u>	<u>(327,263)</u>
As restated	<u>1,619,620</u>	<u>495,328</u>	<u>11,017,358</u>	<u>13,132,306</u>	<u>13,530,980</u>
Excess (deficiency) of revenues over expenses	(394,607)	-	-	(394,607)	(398,674)
Funds designated for future use	(17,700)	17,700	-	-	-
Current year funds used for tangible capital assets	(15,695)	-	15,695	-	-
Annual accretion expense	18,879	-	(18,879)	-	-
Annual amortization expense	<u>455,344</u>	<u>-</u>	<u>(455,344)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>46,221</u>	<u>17,700</u>	<u>(458,528)</u>	<u>(394,607)</u>	<u>(398,674)</u>
BALANCE - END OF YEAR	<u>\$ 1,665,841</u>	<u>\$ 513,028</u>	<u>\$ 10,558,830</u>	<u>\$ 12,737,699</u>	<u>\$ 13,132,306</u>

TOWN OF BASHAW

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023	Restated (Note 3) 2022
COST:								
BALANCE - BEGINNING OF YEAR								
As previously reported	\$ 231,357	\$ 114,510	\$ 4,194,835	\$ 15,415,525	\$ 1,110,167	\$ 205,795	\$ 21,272,189	\$ 21,248,475
Prior period restatement (Note 3)	<u>-</u>	<u>-</u>	<u>66,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,775</u>	<u>66,775</u>
As restated	231,357	114,510	4,261,610	15,415,525	1,110,167	205,795	21,338,964	21,315,250
Acquisition of tangible capital assets	-	-	-	-	15,695	-	15,695	53,425
Disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>(7,531)</u>	<u>-</u>	<u>-</u>	<u>(13,258)</u>	<u>(20,789)</u>	<u>(29,711)</u>
BALANCE - END OF YEAR	<u>231,357</u>	<u>114,510</u>	<u>4,254,079</u>	<u>15,415,525</u>	<u>1,125,862</u>	<u>192,537</u>	<u>21,333,870</u>	<u>21,338,964</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR								
As previously reported	-	51,743	1,412,916	7,595,431	728,368	120,045	9,908,503	9,474,878
Prior period restatement (Note 3)	<u>-</u>	<u>-</u>	<u>37,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,197</u>	<u>36,107</u>
As restated	-	51,743	1,450,113	7,595,431	728,368	120,045	9,945,700	9,510,985
Annual amortization	-	6,635	83,702	294,440	63,254	7,313	455,344	457,529
Accumulated amortization on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,258)</u>	<u>(13,258)</u>	<u>(22,814)</u>
BALANCE - END OF YEAR	<u>-</u>	<u>58,378</u>	<u>1,533,815</u>	<u>7,889,871</u>	<u>791,622</u>	<u>114,100</u>	<u>10,387,786</u>	<u>9,945,700</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ <u>231,357</u>	\$ <u>56,132</u>	\$ <u>2,720,264</u>	\$ <u>7,525,654</u>	\$ <u>334,240</u>	\$ <u>78,437</u>	\$ <u>10,946,084</u>	\$ <u>11,393,264</u>
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ <u>231,357</u>	\$ <u>62,767</u>	\$ <u>2,811,497</u>	\$ <u>7,820,094</u>	\$ <u>381,799</u>	\$ <u>85,750</u>	\$ <u>11,393,264</u>	

TOWN OF BASHAW

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
TAXATION			
Real property taxes	\$ 1,002,514	\$ 1,002,391	\$ 991,067
Linear property taxes	44,504	44,504	42,858
Government grants in lieu of property taxes	<u>20,618</u>	<u>20,618</u>	<u>19,862</u>
	<u>1,067,636</u>	<u>1,067,513</u>	<u>1,053,787</u>
REQUISITIONS			
Alberta School Foundation Fund	226,016	226,016	234,390
Camrose Seniors' Foundation	<u>1,610</u>	<u>1,610</u>	<u>830</u>
	<u>227,626</u>	<u>227,626</u>	<u>235,220</u>
NET MUNICIPAL TAXES	\$ <u>840,010</u>	\$ <u>839,887</u>	\$ <u>818,567</u>

TOWN OF BASHAW

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	2022
TRANSFERS FOR OPERATING			
Provincial government	\$ 142,744	\$ 117,501	\$ 120,455
Local government	<u>99,587</u>	<u>112,578</u>	<u>94,702</u>
	<u>242,331</u>	<u>230,079</u>	<u>215,157</u>
TRANSFERS FOR CAPITAL			
Federal government	132,493	124,473	13,314
Provincial government	<u>124,765</u>	<u>124,765</u>	<u>179,907</u>
	<u>257,258</u>	<u>249,238</u>	<u>193,221</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>499,589</u>	\$ <u>479,317</u>	\$ <u>408,378</u>

SCHEDULE 5 – EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget (Unaudited)	2023	Restated (Note 3) 2022
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 666,247	\$ 622,068	\$ 624,753
Contracted and general services	771,128	938,334	686,356
Materials, goods, supplies and utilities	713,198	630,501	653,221
Transfers to individuals, organizations and boards	103,951	86,466	85,248
Loss on disposal of tangible capital assets	-	-	6,896
Bank charges and interest	600	11,295	11,990
Amortization of tangible capital assets (Note 20)	-	455,344	457,529
Accretion expense	-	18,879	17,976
Other expenditures	<u>9,826</u>	<u>9,155</u>	<u>12,585</u>
	<u>\$ 2,264,950</u>	<u>\$ 2,772,042</u>	<u>\$ 2,556,554</u>

TOWN OF BASHAW

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Government	Protective Services	Transportation Services	Environmental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 839,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 839,887
Government transfers	92,118	39,155	105,941	72,394	53,527	-	116,182	479,317
Sales of goods and user fees	3,620	106,614	-	624,129	4,464	20	66,203	805,050
Investment income	86,944	-	-	-	-	-	-	86,944
Penalties and costs on taxes	34,154	-	-	-	-	-	-	34,154
Franchise agreement	61,160	-	-	-	-	-	-	61,160
Rentals	18,863	-	2,981	-	-	6,560	899	29,303
Gain on disposal of tangible capital assets	4,973	-	-	-	-	-	-	4,973
Other revenues	7,043	11,559	3,024	898	-	1,840	12,283	36,647
	<u>1,148,762</u>	<u>157,328</u>	<u>111,946</u>	<u>697,421</u>	<u>57,991</u>	<u>8,420</u>	<u>195,567</u>	<u>2,377,435</u>
EXPENSES								
Contracted and general services	140,738	171,560	158,973	266,250	14,535	20,645	165,633	938,334
Salaries, wages and benefits	250,285	49,043	134,880	73,816	3,603	-	110,441	622,068
Materials, goods, supplies and utilities	14,253	29,956	157,978	339,498	29	3,782	85,005	630,501
Transfers - individuals, organizations, boards	6,985	-	-	3,984	59,873	-	15,624	86,466
Other expenditures	9,679	-	-	10,771	-	-	-	20,450
	<u>421,940</u>	<u>250,559</u>	<u>451,831</u>	<u>694,319</u>	<u>78,040</u>	<u>24,427</u>	<u>376,703</u>	<u>2,297,819</u>
NET REVENUE - BEFORE AMORTIZATION AND ACCRETION	726,822	(93,231)	(339,885)	3,102	(20,049)	(16,007)	(181,136)	79,616
Amortization of tangible capital assets	(14,482)	(4,868)	(199,491)	(137,907)	-	(934)	(97,662)	(455,344)
Accretion of asset retirement obligations	(4,639)	(766)	(473)	(909)	-	(638)	(11,454)	(18,879)
NET REVENUE	<u>707,701</u>	<u>(98,865)</u>	<u>(539,849)</u>	<u>(135,714)</u>	<u>(20,049)</u>	<u>(17,579)</u>	<u>(290,252)</u>	<u>\$ (394,607)</u>
2022 NET REVENUE (Restated, Note 3)	<u>\$ 659,858</u>	<u>\$ (68,317)</u>	<u>\$ (539,658)</u>	<u>\$ (46,091)</u>	<u>\$ (9,888)</u>	<u>\$ (71,478)</u>	<u>\$ (323,100)</u>	<u>\$ (398,674)</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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(h).

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, 2023

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.

There is measurement uncertainty related to asset retirement obligations. Determining settlement amounts, discount rates and timing of settlement involves estimation. Changes to any of these estimates and assumptions may result in a change to the obligation.

(d) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

(e) 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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) 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.

(g) Government Transfers

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

Government transfers are recognized in the financial statements as 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(l) Cash and Cash Equivalents

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

(m) 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.

(n) 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.

(o) 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 initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The town subsequently measures all of its financial assets and financial liabilities at cost or amortized cost, except for cash which is measured at fair value.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The town's financial instruments consist of cash and short term investments, receivables, long-term investments, accounts payable and accrued liabilities. It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial statements. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(p) Asset retirement obligation

Asset retirement obligations are legal obligations associated with the retirement of a tangible capital asset. A liability for an asset retirement obligation is recognized at an estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

The estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. These may include, but are not limited to, decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed; remediation of contamination of a tangible capital asset created by its normal use; post-retirement activities such as monitoring; and constructing other tangible capital assets to perform post-retirement activities.

The estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the town reviews the carrying amount of the liability. The town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(q) 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, improvement, betterment or retirement 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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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 3160 – Public Private Partnerships

This section establishes standards on accounting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. Effective for the fiscal years beginning on or after April 1, 2023.

(b) Section PS 3400 – Revenue

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. Effective for the fiscal years beginning on or after April 1, 2023.

(c) Section PSG – 8 – Purchased Intangibles

This section establishes standards on how to recognize and record purchased intangibles that meet the definition of an asset. Effective for the fiscal years beginning on or after April 1, 2023.

(d) The Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework a coherent set of interrelated concepts underlying accounting and financial reporting standards, prescribes the nature, function and limits of financial accounting and reporting, and is the foundation on which standards are developed and professional judgment is applied. Effective for the fiscal years beginning on or after April 1, 2026.

(e) Section PS 1202 – Financial Statement Presentation

This section sets out general and specific requirements for the presentation of information in general purpose financial statements. This new standard will effectively replace PS 1201 – Financial Statement Presentation. Effective for the fiscal years beginning on or after April 1, 2026.

3. ACCOUNTING CHANGES – ASSET RETIREMENT OBLIGATIONS

The town adopted the recommendations in the CPA Canada Handbook, Section PS 3280, *Asset Retirement Obligations*, on how to account for a liability for the retirement of a tangible capital asset for fiscal years beginning on or after April 1, 2022, applied on a modified retroactive basis with restatement of prior year comparative information. The town chose to apply the amendments at the beginning of the earliest period presented, January 1, 2022.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

3. ACCOUNTING CHANGES – ASSET RETIREMENT OBLIGATIONS - Continued

Adoption of this new standard lead to adjustments to the comparative figures:

	As Restated	As Previously Reported	Adjustment
STATEMENT OF FINANCIAL POSITION			
LIABILITIES			
Asset retirement obligation	\$ 375,906	\$ -	\$ 375,906
Total liabilities	895,130	519,224	375,906
NET FINANCIAL ASSETS (DEBT)	1,477,565	1,853,471	(375,906)
NON-FINANCIAL ASSETS			
Tangible capital assets (Schedule 2)	11,393,264	11,363,686	29,578
Total non-financial assets	11,654,741	11,625,163	29,578
ACCUMULATED SURPLUS (Schedule 1, Note 13)	13,132,306	13,478,634	(346,328)

STATEMENT OF OPERATIONS

EXPENSES			
Amortization (Note 22)	457,529	456,439	1,090
Accretion (Note 12)	17,976	-	17,976
Total Expenses	2,556,554	2,537,488	19,066
EXCESS OF REVENUE OVER EXPENSES	(398,674)	(379,608)	(19,066)
ACCUMULATED SURPLUS – END OF YEAR	13,132,306	13,478,634	(346,328)

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

EXCESS OF REVENUE OVER EXPENSES	(398,674)	(379,608)	(19,066)
Amortization of tangible capital assets	457,529	456,439	1,090
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	19,234	37,210	(17,976)
NET FINANCIAL ASSETS (DEBT) – END OF YEAR	1,477,565	1,853,471	(375,906)

STATEMENT OF CASH FLOWS

OPERATING ACTIVITIES			
Excess (shortfall) of revenues over expenses	(398,674)	(379,608)	(19,066)
Amortization of tangible capital assets	457,529	456,439	1,090
Accretion	\$ 17,976	\$ -	\$ 17,976

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

4. CASH AND SHORT TERM INVESTMENTS

	2023	2022
Cash, interest at prime less 2.30%	\$ 1,170,002	\$ 1,065,328
Short term investments	<u>508,028</u>	<u>465,015</u>
	<u>\$ 1,678,030</u>	<u>\$ 1,530,343</u>

Short term investments are valued at cost and are deposits maturing January 2024. The interest rates are at 5.15%.

Council has designated funds of \$513,028 (2022 - \$495,328) included in the above amounts for restricted surplus.

Included in the above are the restricted amounts of \$67,555 (2022 - \$4,255) of deferred grant funding and \$20,915 (2022 - \$6,927) of tax recovery funds.

5. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2023	2022
Current taxes and grants in place of taxes	\$ 123,122	\$ 116,356
Arrears taxes and grants in place of taxes	<u>52,135</u>	<u>19,509</u>
	<u>\$ 175,257</u>	<u>\$ 135,865</u>

An allowance for doubtful accounts in the amount of \$11,801 (2022 - \$12,385) has been recorded and offset against the current and arrears taxes receivable balances at December 31st.

6. TRADE AND OTHER RECEIVABLES

	2023	2022
Federal Gas Tax grant / CCBF	\$ -	\$ 150,000
GST	20,907	11,077
Other	33,866	16,782
Receivable from other government	58,288	54,501
Utilities	<u>91,905</u>	<u>100,132</u>
	<u>\$ 204,966</u>	<u>\$ 332,492</u>

7. LONG-TERM INVESTMENTS

	2023	2022
Highway 12/21 Regional Water Services Commission	\$ <u>373,995</u>	\$ <u>373,995</u>

The town is a member of the Highway 12/21 Regional Water Services Commission. The investment represents the cost of their investment in the commission.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

8. TRUST FUNDS

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

	2023	2022
Tax sale surplus		
Balance – beginning of year	\$ 6,927	\$ 6,927
Tax recovery sale – net	<u>13,988</u>	<u>-</u>
Balance – end of year	<u>\$ 20,915</u>	<u>\$ 6,927</u>

9. DEFERRED REVENUE

	2023	2022
FCC AgriSpirit grant	\$ 15,000	\$ -
Federal Gas Tax / CCBF	26,483	98,997
Municipal Sustainability Initiative – capital	-	4,255
Municipal Sustainability Initiative – operating	<u>26,072</u>	<u>-</u>
	<u>\$ 67,555</u>	<u>\$ 103,252</u>

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

	2023	2022
Payable to Highway 12/21 Regional Water Services Commission, due \$7,189 semi-annually including interest at 5.24%, maturing Dec. 2033	\$ 110,805	\$ 119,051
Payable to Highway 12/21 Regional Water Services Commission, due \$1,387 semi-annually including interest at 4.59% maturing Dec 2034	23,754	25,382
Payable to Highway 12/21 Regional Water Services Commission, due \$1,326 semi-annually including interest at 2.94%, maturing June 2040	34,454	36,056
Payable to Highway 12/21 Regional Water Services Commission, due \$2,528 semi-annually including interest at 3.132%, maturing March 2044	<u>76,072</u>	<u>78,684</u>
	<u>\$ 245,085</u>	<u>\$ 259,173</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2024	\$ 14,731	\$ 10,128	\$ 24,859
2025	15,405	9,454	24,859
2026	16,111	8,748	24,859
2027	16,852	8,007	24,859
2028	17,627	7,232	24,859
Thereafter	<u>164,359</u>	<u>33,020</u>	<u>197,379</u>
	<u>\$ 245,085</u>	<u>\$ 76,589</u>	<u>\$ 321,674</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

11. 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.

12. ASSET RETIREMENT OBLIGATION

The town owns buildings which contain asbestos and, therefore, the town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed. Undiscounted future cash flows expected are an abatement cost of \$1,619,562 between the years 2030 and 2059. The estimated total liability of \$387,254 (2022 - \$375,905) is based on the sum of discounted future cash flows for abatement activities using an average discount rate of 5.04% and assuming annual inflation of 3%. The town has not designated assets for settling the abatement activities.

	2023	2022
Balance, beginning of year	\$ 375,905	\$ 357,930
Change in estimated cash flows	(7,530)	-
Accretion expense	<u>18,879</u>	<u>17,976</u>
	\$ <u>387,254</u>	\$ <u>375,906</u>

13. ACCUMULATED SURPLUS

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

	2023	Restated (Note 3) 2022
Unrestricted surplus (deficit)	\$ 1,665,841	\$ 1,619,620
Equity in tangible capital assets (Note 15)	10,558,830	11,017,358
Restricted surplus (Note 14)	<u>513,028</u>	<u>495,328</u>
	\$ <u>12,737,699</u>	\$ <u>13,132,306</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

14. RESTRICTED SURPLUS

	2022	Increases	Decreases	2023
Restricted for Operating:				
Administration	\$ 22,278	\$ -	\$ -	\$ 22,278
Cemetery	22,102	-	-	22,102
Culture	3,644	-	-	3,644
Fire	14,656	5,000	-	19,656
Parks	14,276	12,700	-	26,976
Roads and streets	17,290	-	-	17,290
Water	8,440	-	-	8,440
Waste water	<u>15,645</u>	<u>-</u>	<u>-</u>	<u>15,645</u>
	<u>118,331</u>	<u>17,700</u>	<u>-</u>	<u>136,031</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	4,684	-	-	4,684
Parks	30,795	-	-	30,795
Recreation	3,295	-	-	3,295
Roads, streets and equipment	10,707	-	-	10,707
Subdivision, land and development	26,054	-	-	26,054
Tourism	3,659	-	-	3,659
Water infrastructure	111,692	-	-	111,692
Wastewater infrastructure	<u>102,321</u>	<u>-</u>	<u>-</u>	<u>102,321</u>
	<u>376,997</u>	<u>-</u>	<u>-</u>	<u>376,997</u>
Total	\$ <u>495,328</u>	\$ <u>17,700</u>	\$ <u>-</u>	\$ <u>513,028</u>

15. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	Restated (Note 3) 2022
Tangible capital assets (Schedule 2)	\$ 21,333,870	\$ 21,338,964
Accumulated amortization (Schedule 2)	(10,387,786)	(9,945,700)
Asset retirement obligation (Note 12)	<u>(387,254)</u>	<u>(375,906)</u>
	<u>\$ 10,558,830</u>	<u>\$ 11,017,358</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

16. 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:

	2023			2022
	Salary(1)	Benefits Allowances(2)	Total	Total
Rob McDonald, Mayor	\$ 5,700	\$ 431	\$ 6,131	\$ 6,197
Cindy Orom, Councillor	4,200	342	4,542	4,612
Bryan Gust, Councillor	4,200	342	4,542	4,612
Jackie Northey, Councillor	4,200	342	4,542	4,612
Kyle McIntosh, Councillor	4,200	342	4,542	4,612
Theresa Fuller, CAO	104,163	21,073	125,236	119,442
Designated Officers	\$ 13,423	\$ -	\$ 13,423	\$ 13,253

(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.

17. 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 291,259 people and about 437 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 8.45% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 12.23% for the excess. Employees of the Town of Bashaw are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

Total current and past service contributions by the Town of Bashaw to the Local Authorities Pension Plan in 2023 were \$32,577 (2022 - \$27,635). Total current and past service contributions by the employees of the Town of Bashaw to the Local Authorities Pension Plan in 2023 were \$28,951 (2022 - \$24,618).

At December 31, 2022, the Plan disclosed an actuarial surplus of \$12.7 billion (2021 - \$11.9 billion).

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

18. 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:

	2023	2022
Total debt limit	\$ 3,192,296	\$ 2,946,987
Total debt	<u>-</u>	<u>-</u>
Total debt limit available	<u>3,192,296</u>	<u>2,946,987</u>
Debt service limit	532,049	491,165
Debt service	<u>-</u>	<u>-</u>
Debt service limit available	<u>\$ 532,049</u>	<u>\$ 491,165</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.

19. FINANCIAL INSTRUMENTS

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, which is consistent with the prior year.

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 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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

19. FINANCIAL INSTRUMENTS - *Continued*

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, 2023 the town had short-term credit card lines of credit aggregating \$10,000 (2022 - \$10,000) of which \$NIL (2022 - \$NIL) had been drawn down. The credit cards bear interest at 16.99%.

Liquidity Risk

Liquidity risk is the risk that the town will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The town has sufficient cash available from its operations to meet its obligations. Management is of the opinion that liquidity risk is not a significant risk and there has been no change to the risk exposures from the prior year.

20. COMMITMENTS

The town is a member of the Highway 12/21 Regional Water Services Commission which is 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 \$317,452 (2022 - \$320,058). Included in accounts payable is \$41,551 (2022 - \$23,932) 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.

The town has an agreement in place, effective July 1, 2022, for guaranteed professional maintenance for the Bashaw Arena and Curling Rink. The town has agreed to pay \$25,892 per year (\$2,158 per month) and the agreement shall continue in effect from year to year unless either party gives written notice of intention not to renew at least 30 days prior to anniversary date.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. CONTINGENCIES

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.

The town is a defendant in a lawsuit for \$4,200,000 plus interest, costs and other damages. To the date of the Independent Auditors' Report this action has yet to be settled and the outcome is not determinable. No provision for any loss has been recorded in the financial statements. A reliable estimate of any loss cannot be made at the time. The amount of any future settlement would be accounted for as a current transaction in the year of settlement.

22. AMORTIZATION

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

	2023	Restated (Note 3) 2022
Administration	\$ 14,481	\$ 14,793
Fire, ambulance and bylaws enforcement	4,868	4,868
Roads, streets, walk, lighting	198,812	201,104
Water and wastewater	137,907	137,907
Recreation and parks	25,621	25,202
Culture	72,043	72,043
Other	<u>1,612</u>	<u>1,612</u>
	<u>\$ 455,344</u>	<u>\$ 457,529</u>

23. 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.

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police and fire. Transportation includes roads, streets, walks, lighting and airport. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls.

Refer to the Schedule 6 – Segmented Disclosure.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

24. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2023 are for information purposes only and have not been audited.

25. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.