

Financial Statements of

TOWN OF BASSANO

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To His Worship the Mayor and Members of the Council of the Town of Bassano

Opinion

We have audited the financial statements of the Town of Bassano ("the Town"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and its results of operations, changes in net financial assets, and its 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 auditors' 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 Town's ability 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 liquidate the Town or 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 the 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 control.

- 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 purpose 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 our 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

KPMG LLP

Chartered Professional Accountants

Lethbridge, Canada

March 4, 2019

TOWN OF BASSANO

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017 (Restated - note 3)
Financial Assets:		
Cash and short-term investments	\$ 2,294,872	\$ 1,817,228
Taxes and grants in place of taxes (note 4)	254,342	225,016
Land held for resale	309,225	404,146
Investments and marketable securities (note 5)	987,371	931,455
Trade and other receivables	299,299	285,703
Restricted cash (note 6)	3,039,014	3,173,105
	<u>7,184,123</u>	<u>6,836,653</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	154,319	424,178
Deposit liabilities	125	125
Deferred revenue (note 7)	1,075,538	1,240,283
Long-term debt (note 8)	618,738	712,212
	<u>1,848,720</u>	<u>2,376,798</u>
Net financial assets	5,335,403	4,459,855
Non-Financial Assets:		
Prepaid expenses	12,875	-
Tangible capital assets (Schedule 6)	11,129,445	11,407,451
	<u>11,142,320</u>	<u>11,407,451</u>
Commitments (note 13)		
Contingent liabilities (note 15)		
Accumulated surplus (note 9 and Schedule 3)	\$ 16,477,723	\$ 15,867,306

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017 (Restated -note 3)
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 1,349,752	\$ 1,352,941	\$ 1,326,759
Sales and user charges	862,200	946,376	957,396
Government transfers (Schedule 1)	202,231	220,624	374,855
Franchise fees and sale of goods	256,284	236,391	239,797
Interest income	30,000	98,381	57,678
Penalties and cost of taxes	40,000	86,405	62,013
Licenses and permits	19,150	17,384	21,172
Rentals	63,580	34,986	63,244
Other	12,400	11,439	27,627
Total revenue	2,835,597	3,004,927	3,130,541
Expenses (Schedule 5):			
Legislative	58,500	54,035	54,565
General administration	455,535	479,708	451,110
Protective Services	146,785	132,419	151,126
Roads, streets, walks and lighting	470,510	592,812	663,382
Water supply and distribution	414,551	470,341	490,862
Wastewater treatment and disposal	33,450	49,555	57,122
Waste management	107,296	107,137	108,446
Family and community support	126,834	120,179	125,968
Subdivision land development	4,500	96,596	5,773
Parks and recreation	306,699	353,144	395,160
Culture	71,376	78,858	88,017
Other	47,783	61,298	90,805
Total expenses	2,243,819	2,596,082	2,682,336
Excess of revenue over expenses from operations	591,778	408,845	448,205
Government transfers for capital (Schedule 1)	4,111,419	201,572	805,912
Excess of revenues over expenses	4,703,197	610,417	1,254,117
Accumulated surplus, beginning of year	15,867,306	15,867,306	14,613,189
Accumulated surplus, end of year	\$ 20,570,503	\$ 16,477,723	\$ 15,867,306

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017 (Restated - note 3)
Excess of revenue over expenses	\$ 4,703,197	\$ 610,417	\$ 1,254,117
Acquisition of tangible capital assets	-	(201,572)	(979,621)
Amortization of tangible capital assets	-	479,578	461,180
Net change in prepaid assets	-	(12,875)	650
Change in net financial assets	4,703,197	875,548	736,326
Net financial assets, beginning of year	4,459,855	4,459,855	3,723,529
Net financial assets, end of year	\$ 9,163,052	\$ 5,335,403	\$ 4,459,855

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017 (Restated -note 3)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 610,417	\$ 1,254,117
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	479,578	461,180
Changes in non-cash assets and liabilities:		
Taxes and grants in place of taxes	(29,326)	(42,708)
Prepaid expenses	(12,875)	650
Trade and other receivables	(13,596)	(18,562)
Land held for resale	94,921	-
Accounts payable and accrued liabilities	(269,859)	285,590
Deferred revenue	(164,745)	889,104
	<u>694,515</u>	<u>2,829,371</u>
Capital activities:		
Acquisition of tangible capital assets	(201,572)	(979,621)
Investing activities:		
Decrease (increase) in restricted cash	134,091	(1,062,671)
Increase in investments and marketable securities	(55,916)	(64,241)
	<u>78,175</u>	<u>(1,126,912)</u>
Financing activities:		
Payments on long-term debt	(93,474)	(88,398)
Increase in cash and short-term investments	477,644	634,440
Cash and short-term investments, beginning of year	1,817,228	1,182,788
Cash and short-term investments, end of year	<u>\$ 2,294,872</u>	<u>\$ 1,817,228</u>

See accompanying notes to financial statements.

TOWN OF BASSANO

Notes to Financial Statements

Year ended December 31, 2018

1. Significant accounting policies:

The financial statements of the Town of Bassano (the "Town") are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenue and expenses, changes in accumulated surplus and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality 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 financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(c) Cash and temporary investments:

Cash and temporary investments includes cash on hand and short-term deposits, which are highly liquid with original maturities of less than three months from the date of acquisition.

(d) Investments:

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Revenue recognition:

Net municipal property taxes are recognized as revenue as levied.

Sales and user charges are recognized as revenue as goods are transferred or services are rendered.

Contributed assets are recognized as revenue at fair market value of the assets at the date of receipt.

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) 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 revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(g) Land held for resale:

Land inventory held for resale is recorded as the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective function.

(h) Contaminated sites liability:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive 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.

(i) Requisition over-levy and under-levy:

Over-levies and under-levies arise from the difference between the actual property tax 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 BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(j) 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.

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:

Assets	Years
Buildings	50
Engineered structures	
Road systems	20
Water systems	45 - 75
Wastewater systems	45 - 75
Other engineered structures	20
Machinery and equipment	5 - 15
Vehicles	10 - 25

Assets under construction are not amortized until the asset is available for productive use.

ii. Contribution 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 consisting of land and improvements not currently available for resale are recorded as non-financial assets.

Inventories held for consumption are recorded at the lower of cost and replacement cost.

iv. Asset impairment:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Town's ability to provide goods and services, or when the value of the future economic benefits associated with the tangible capital asset are less than their book value. The net write downs are accounted for as an expense.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

1. Significant accounting policies (continued):

(k) 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 expenses 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.

2. Recent accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2019, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

(a) PS 1201- Financial Statement Presentation:

The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2019.

(b) PS 3450- Financial Instruments:

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the government. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. As the Town does not invest in derivatives or equity instruments based on its investment policy, it is anticipated that the adoption of this standard will have a minimal impact on the Town. This standard is effective for fiscal years beginning on or after April 1, 2019.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Recent accounting pronouncements (continued):

(c) PS 2601 - Foreign Currency Translation:

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value, denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2019.

(d) PS 3041 - Portfolio Investments:

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of these types of investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2019.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

Management has indicated that the impact of the adoption of this standard is being evaluated and it is not known or reasonably estimable at this time.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Correction of error:

Subsequent to the Town issuing the 2017 audited financial statements, the Town has determined that certain government transfers had not been recorded as receivable and the appropriate amount recognized into revenue based on qualifying expenditures incurred.

These accounting adjustments have impacted trade and other receivables, deferred revenue, and the surplus amount reported in the excess of revenue over expenses for the prior period, resulting in adjustments to accumulated surplus. These changes have been applied retrospectively as follows:

Accumulated surplus	
As previously reported, December 31, 2017	\$ 15,662,684
Adjustment to government transfers	204,622
Accumulated surplus restated as at December 31, 2017	\$ 15,867,306

Trade and other receivables	
As previously reported, December 31, 2017	\$ 216,361
Adjustment to government accounts recognized	69,342
Trade and other receivables restated as at December 31, 2017	\$ 285,703

Deferred revenue	
As previously reported, December 31, 2017	\$ 1,375,563
Adjustment to revenue recognized	(204,622)
Adjustment to government transfers received	69,342
Deferred revenue restated as at December 31, 2017	\$ 1,240,283

Excess of revenue over expenses	
As previously reported, December 31, 2017	\$ 1,049,495
Adjustment to government transfers	(29,130)
Adjustment to government transfers for capital	233,752
Excess of revenue over expenses restated as at December 31, 2017	\$ 1,254,117

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Taxes and grants in place of taxes:

	2018	2017
Taxes and grants of taxes:		
Current taxes and grants in place of taxes	\$ 167,546	\$ 172,480
Arrears taxes	96,796	62,536
	264,342	235,016
Provision for doubtful accounts	(10,000)	(10,000)
	\$ 254,342	\$ 225,016

5. Investments and marketable securities:

	2018		2017	
	Cost	Market value	Cost	Market value
At amortized cost:				
Government and government guaranteed bonds	\$ 982,453	\$ 987,462	\$ 926,758	\$ 946,324
At cost:				
Alberta Municipal Financing Corporation	10	10	10	10
Newell Regional Services Corporation	10	10	10	10
Connection First Credit Union	4,898	4,898	4,677	4,677
	\$ 987,371	\$ 992,380	\$ 931,455	\$ 951,021

Government and government guaranteed bonds have effective interest rates of 1.97% to 4.70% (2017 - 1.97% to 5.00%) and mature between 2019 and 2045.

In 2008, the Town purchased 100 shares of the Newell Regional Service Corporation at \$0.10 per share for a total investment of \$10 which represents a 14% ownership. The Newell Regional Service Corporation is a private issuer, with a limited number of town and rural municipality investors.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Restricted cash:

	2018	2017 (Restated - note 3)
Cash restricted for grants	\$ 1,075,538	\$ 1,240,283
Cash restricted for reserves	1,963,476	1,932,822
	<u>\$ 3,039,014</u>	<u>\$ 3,173,105</u>

7. Deferred revenue:

	2018	2017 (Restated - note 3)
Deferred revenue, beginning of year	\$ 1,240,283	\$ 351,179
Grants received in the year:		
Operating	249,844	420,488
Capital	7,607	1,649,383
	<u>257,451</u>	<u>2,069,871</u>
Amounts recognized in revenue during the year:		
Operating	(220,624)	(374,855)
Capital	(201,572)	(805,912)
	<u>(422,196)</u>	<u>(1,180,767)</u>
Transfers		
Operating	-	(65,440)
Capital	-	65,440
	<u>-</u>	<u>-</u>
Deferred revenue, end of year	<u>\$ 1,075,538</u>	<u>\$ 1,240,283</u>
Deferred revenue is comprised of:		
Operating	\$ 49,835	\$ 20,616
Capital	1,025,703	1,219,667
	<u>\$ 1,075,538</u>	<u>\$ 1,240,283</u>

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Long-term debt:

	2018	2017 (Restated - note 3)
Debenture tax supported	\$ 618,738	\$ 712,212
Current portion	(98,841)	(93,474)
	<u>\$ 519,897</u>	<u>\$ 618,738</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 98,841	\$ 33,654	\$ 132,495
2020	104,517	27,978	132,495
2021	110,519	21,976	132,495
2022	116,864	15,631	132,495
2023	123,575	8,920	132,495
Thereafter	64,422	1,825	66,247
	<u>\$ 618,738</u>	<u>\$ 109,984</u>	<u>\$ 728,722</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at the rate of 5.66% per annum, before Provincial subsidy, and matures in 2024. Debenture debt is issued on the credit and security of the Town at large.

Interest payments on long-term debt amounted to \$39,021 (2017 - \$43,891).

The Town has an authorized overdraft available up to a maximum of \$250,000 bearing interest at prime rate. Prime rate at December 31, 2018 was 3.95% (2017 - 3.20%). As at December 31, 2018, this was not drawn upon.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

9. Accumulated surplus

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

	2018	2017 (Restated -note 3)
Unrestricted surplus	\$ 1,453,936	\$ 1,158,269
Restricted surplus:		
Administration	65,369	30,000
Emergency Services Building	167,495	167,495
Fire Committee	147,455	136,475
Road Paving	980,624	955,272
Public Works - Equipment	55,203	45,203
Public Works - Building	30,000	20,000
Infrastructure - 5th Street	3,161	3,161
Future Development	375	375
Sewage Treatment Upgrading	1,034,438	821,752
FCSS	11,901	11,901
Thrive Program	20,265	20,265
Cemetary Care	16,000	14,000
Planning & Development	25,500	25,500
Debt specific investment	65,892	65,892
Future Projects	38,000	38,000
Recreational Facilities	57,800	47,800
Pool Upgrades	55,729	40,729
Arena	10,000	10,000
Recreational Complex	41,594	26,594
Community Hall Repairs & Maintenance	69,697	49,697
Drop In/Parks & Recreation	10,000	10,000
Contingencies	30,300	30,300
Cash in Lieu	18,040	18,040
Water Upgrading	1,004,923	872,028
Land Replacement	553,319	553,319
	4,513,080	4,013,798
Equity in tangible capital assets	10,510,707	10,695,239
	\$ 16,477,723	\$ 15,867,306

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

9. Accumulated surplus (continued):

	2018	2017 (Restated - note 3)
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$ 23,310,002	\$ 23,108,430
Accumulated amortization (Schedule 6)	(12,180,557)	(11,700,979)
Loans related to capital assets	(618,738)	(712,212)
	<u>\$ 10,510,707</u>	<u>\$ 10,695,239</u>

10. Debt limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2018	2017 (Restated - note 3)
Total debt limit	\$ 4,507,391	\$ 4,695,812
Total debt	(618,738)	(712,212)
Amount of debt limit unused	<u>3,888,653</u>	<u>3,983,600</u>
Debt servicing limit	751,232	782,635
Debt servicing	(132,495)	(132,495)
Amount of debt servicing unused	<u>\$ 618,737</u>	<u>\$ 650,140</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) and the debt service 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 Town. Rather, the financial statements must be interpreted as a whole.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

11. Segmented disclosure:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

(a) General government:

The mandate of general government includes all taxation, Council and administrative functional activities

(b) Protective services:

The mandate of Protective Services is to provide for the rescue and protection of people and property within the Town through effective and efficient management and coordination of emergency service systems and resources.

(c) Transportation services:

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, streets, walks and lighting.

(d) Planning and development:

Planning and development is responsible for the administration of residential, commercial, industrial and agricultural development services within the Town.

(e) Recreation and culture:

The recreation and culture department is responsible for operation and maintenance of parks, sports fields, recreation, community and cultural facilities within the Town.

(f) Environmental services:

Environmental services is responsible for water supply and distribution services within the Town, as well as wastewater treatment and disposal activities and waste management functions.

(g) Public health:

Public health provides funding for programs that support individuals, families, and communities. Programs and services are delivered through Family and Community Support Services.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenditure. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

12. Salary and 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:

	Salaries (i)	Benefits and Allowances (ii)	Total 2018	Total 2017
Barlow, Doug	\$ 3,200	\$ 88	\$ 3,288	\$ 3,168
Beddows, Ric	-	-	-	4,131
Doherty, Richard	-	-	-	1,868
Jones, Kevin	4,100	903	5,003	7,921
MacWilliam, Lynn	7,300	4,225	11,525	10,340
Peterson, Jackie	9,200	1,649	10,849	9,408
Rose, Thomas (Deputy Mayor)	4,000	1,684	5,684	5,218
Slomp, John	4,400	248	4,648	2,173
Wickson, Ron (Mayor)	8,650	2,402	11,052	3,976
	40,850	11,199	52,049	48,203
Chief Administrative Officer (iii)	\$ 61,346	\$ 1,603	\$ 62,949	\$ 138,122

- i) Salary includes regular base pay. For Councillors, salary includes a monthly allowance to attend special events and per diem reimbursement for authorized meetings attended.
- ii) For non-elected officials, employers 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 and long, short-term plans as well as travel allowances.
- iii) Included in the Chief Administrative Officer's salary in the prior year was severance pay. The Acting Chief Administrative Officer position was seconded from June 2017 to February 2018 by a County of Newell representative. No costs were incurred for the secondment.

The Chief Administrative Officer position was vacant from August 2018 to December 2018. As a result, The Town entered into an agreement for consulting services with an expiry date of January 31, 2019. The total cost incurred for the year was \$90,121. Subsequent to year end, the contract was renewed with an expiry date of February 1, 2020. These contract payments are not reflected in the table above.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concessionary loans, travel allowances, car allowances, and club memberships.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

13. Commitments:

- i. The Town of Bassano is a member of the Newell Regional Solid Waste Management Authority Ltd. under which five municipalities have entered into an agreement to operate a regional solid waste management operation for the benefit of each municipality. All capital, operating and transportation funding required for the Newell Regional Solid Waste Management Authority Ltd. not provided by the Government of the Province of Alberta or any other person shall be provided by the participants on a per capita basis. In 2018 the Town contributed \$49,796 (2017 - \$48,939) and it is estimated that this amount will be payable on an annual basis. Any member may terminate its participation in the Newell Regional Solid Waste Management Authority Ltd. by providing the other members 12 months notice of intention to terminate.
- ii. The Town has committed to the completion of a wastewater treatment upgrade. The estimated completion costs of this project totals \$7,016,000, with \$3,683,500 being contributed by the Town and \$3,332,500 being contributed by Alberta Transportation. Total costs incurred for the project as at December 31, 2018 were \$269,826 (2017 - \$98,528).

14. Financial instruments:

The Town as part of its operations carries a number of financial instruments, such as cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. It is management's opinion that the Town is not exposed to significant interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

i. Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities.

ii. Credit concentration:

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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 of diversity of taxpayers and customers minimizes the credit risk.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

14. Financial instruments (continued):

iii. Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

15. Contingent liabilities:

- i. The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- ii. The Town is the defendant in a lawsuit related to water damages which may exceed \$1,000,000 plus unspecified damages, interest and costs. At present, the amount or outcome is not determinable. The amount of any uninsured loss arising from a future settlement, if any, would be accounted for as a current transaction in the year of the settlement.
- iii. The Town has identified a potential liability related to the existence of asbestos and other hazardous materials in one of their buildings. Upon renovation or demolition of the building, the Town may be required to take appropriate remediation procedures to remove the asbestos and other hazardous materials. At this time the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. As such no liability has been recorded in the financial statements.

16. Budget:

The budgeted information presented in these financial statements is based upon the 2018 operating and capital budgets approved by Council on June 11, 2018. Amortization was not contemplated in development of the budget and, as such, has not been included.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2018

17. Funds held on behalf of others:

At December 31, 2018, the Town held funds on behalf of others for a scholarships trust amounting to approximately \$3,216 (2017 - \$4,214) which is not included in these financial statements.

18. Approval of financial statements:

Council and Management approved these financial statements.

TOWN OF BASSANO

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017 (Restated -note 3)
Transfers for operating:			
Provincial government	\$ 86,947	\$ 88,698	\$ 98,911
Other local governments	115,284	131,926	275,944
	202,231	220,624	374,855
Transfers for capital:			
Provincial government	4,111,419	201,572	805,912
Total government transfers	\$ 4,313,650	\$ 422,196	\$ 1,180,767

TOWN OF BASSANO

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2018, with comparative information for 2017

	General government	Protective services	Transportation services	Planning and development	Recreation and culture	Environmental services	Public health	Total 2018	Total 2017 (Restated - note 3)
Revenue:									
Net municipal taxes	\$ 1,352,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,352,941	\$ 1,326,759
Sales and user charges	41,867	122,673	7,176	-	77,843	686,633	10,184	946,376	957,396
Government transfers	68,469	-	30,274	13,887	56,342	171,298	81,926	422,196	1,180,767
Penalties and cost of taxes	86,405	-	-	-	-	-	-	86,405	62,013
Franchise fees and sale of goods	236,391	-	-	-	-	-	-	236,391	239,797
Licenses and permits	17,384	-	-	-	-	-	-	17,384	21,172
Rentals	34,986	-	-	-	-	-	-	34,986	63,244
Interest income	98,381	-	-	-	-	-	-	98,381	57,678
Other revenues	11,439	-	-	-	-	-	-	11,439	27,627
	1,948,263	122,673	37,450	13,887	134,185	857,931	92,110	3,206,499	3,936,453
Expenses:									
Salaries, wages and benefits	206,710	46,829	226,534	-	109,756	52,342	31,510	673,681	831,506
Transfers to local boards and agencies	-	-	-	-	12,181	54,796	-	66,977	69,310
Contracted and general services	290,372	54,120	156,237	22,226	119,790	72,314	94,777	809,836	841,215
Materials, goods and utilities	22,198	18,909	45,682	-	100,115	246,071	750	433,725	435,234
Interest on long-term debt	-	-	-	-	-	37,364	-	37,364	43,891
Impairment of land held for resale	-	-	-	94,921	-	-	-	94,921	-
Amortization	14,464	12,560	197,643	-	90,160	164,147	604	479,578	461,180
	533,744	132,418	626,096	117,147	432,002	627,034	127,641	2,596,082	2,682,336
Excess of revenue over expenses	\$ 1,414,519	\$ (9,745)	\$ (588,646)	\$ (103,260)	\$ (297,817)	\$ 230,897	\$ (35,531)	\$ 610,417	\$ 1,254,117

TOWN OF BASSANO

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Unrestricted	Restricted surplus	Equity in TCA	2018	2017 (Restated - note 3)
Balance, beginning of year (restated)	\$ 1,158,269	\$ 4,013,798	\$ 10,695,239	\$ 15,867,306	\$ 14,613,189
Excess of revenues over expenses	610,417	-	-	610,417	1,254,117
Transferred to restricted surplus	(499,282)	499,282	-	-	-
Acquisition of tangible capital assets internally funded	(201,572)	-	201,572	-	-
Amortization of capital assets	479,578	-	(479,578)	-	-
Debt principal paid	(93,474)	-	93,474	-	-
Change in accumulated surplus	295,667	499,282	(184,532)	610,417	1,254,117
Balance, end of year	\$ 1,453,936	\$ 4,513,080	\$ 10,510,707	\$ 16,477,723	\$ 15,867,306

TOWN OF BASSANO

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
General taxation:			
Real property tax	\$ 1,671,910	\$ 1,675,001	\$ 1,644,756
Linear property tax	25,935	25,998	25,856
Government grants in place of property taxes	13,015	12,988	12,847
	1,710,860	1,713,987	1,683,459
Requisitions:			
Alberta School Foundation Fund	322,065	322,065	318,071
Christ the Redeemer - RCSSD	13,015	13,015	12,694
Seniors Lodges	25,935	25,873	25,935
Designated Industrial Property	93	93	-
	361,108	361,046	356,700
Net municipal property tax	\$ 1,349,752	\$ 1,352,941	\$ 1,326,759

TOWN OF BASSANO

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2018, with comparative information for 2017

	Budget	2018	2017
Salaries, wages and benefits	\$ 785,496	\$ 673,681	\$ 831,506
Contracted and general services	881,081	809,836	841,215
Materials, goods and utilities	470,759	433,725	435,234
Transfers to local boards and agencies	67,462	66,977	69,310
Interest on long-term debt	39,021	37,364	43,891
Impairment of land held for resale	-	94,921	-
Amortization	-	479,578	461,180
Total expenses by object	\$ 2,243,819	\$ 2,596,082	\$ 2,682,336

TOWN OF BASSANO

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2018, with comparative information for 2017

	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	2018	2017
Cost:							
Balance, beginning of year	\$ 153,301	\$ 5,464,517	\$ 16,391,106	\$ 665,047	\$ 434,459	\$ 23,108,430	\$ 22,128,809
Acquisition of tangible capital assets	-	-	30,274	-	-	30,274	910,131
Construction in progress	-	-	171,298	-	-	171,298	69,490
Balance, end of year	153,301	5,464,517	16,592,678	665,047	434,459	23,310,002	23,108,430
Accumulated amortization:							
Balance, beginning of year	-	2,029,427	9,073,679	338,404	259,469	11,700,979	11,239,799
Amortization	-	109,290	303,413	49,163	17,712	479,578	461,180
Balance, end of year	-	2,138,717	9,377,092	387,567	277,181	12,180,557	11,700,979
Net book value of tangible capital assets	153,301	3,325,800	7,215,586	277,480	157,278	11,129,445	11,407,451
2017 Net book value of tangible capital assets	\$ 153,301	\$ 3,435,090	\$ 7,317,427	\$ 326,643	\$ 174,990	\$ 11,407,451	