

TOWN OF GIBBONS
Financial Statements
For The Year Ended December 31, 2018

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of Town of Gibbons

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2018, and the results of its operations 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 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 those 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 relating 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 (Council) are responsible for overseeing the Town's financial reporting process.

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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 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 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.

Chartered Professional Accountants

Edmonton, Alberta
April 24, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of financial statements.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the Town Council to express an opinion on the Town's financial statements.

Gibbons, Alberta
April 24, 2019

Farrell O'Malley
Chief Administrative Officer

Debbie Turner
Assistant Chief Administrative Officer

TOWN OF GIBBONS
Statement of Financial Position
As At December 31, 2018

	2018	2017 (Restated) (Note 20)
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,890,457	\$ 5,335,675
Receivables (Note 2)	802,774	554,914
Loans receivable (Note 3)	68,775	-
Land held for resale	667,729	17,729
	<u>3,429,735</u>	<u>5,908,318</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	598,105	486,650
Deposit liabilities	61,260	59,508
Deferred revenue (Note 5)	503,875	649,452
Long-term debt (Note 6)	4,471,635	4,987,501
	<u>5,634,875</u>	<u>6,183,111</u>
NET DEBT	<u>(2,205,140)</u>	<u>(274,793)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	34,609,336	32,184,304
Inventories for consumption	45,933	67,200
Prepaid expenses	20,077	17,417
	<u>34,675,346</u>	<u>32,268,921</u>
ACCUMULATED SURPLUS (Note 8)	<u>\$ 32,470,206</u>	<u>\$ 31,994,128</u>
Contingencies (Note 9)		

ON BEHALF OF THE TOWN COUNCIL:

_____ Mayor

_____ Councillor

The accompanying notes are an integral part of these financial statements.

TOWN OF GIBBONS

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2018

	2018 (Budget) (Note 17)	2018 (Actual)	2017 (Restated) (Note 20)
REVENUE			
Net municipal taxes (Schedule 2)	\$ 2,634,878	\$ 2,628,633	\$ 2,543,931
Sales and user charges (Schedule 4)	2,277,850	2,205,535	2,043,969
Government transfers for operating (Schedule 3)	554,435	488,489	442,853
Franchise and concession contracts (Note 10)	394,000	346,632	369,311
Rentals	256,923	254,490	234,777
Interest	40,000	68,494	31,061
Other	58,550	64,155	51,607
Penalties and costs on taxes	50,000	55,956	53,986
Licenses and permits	37,160	36,913	31,802
Fines	8,500	6,242	4,443
	<u>6,312,296</u>	<u>6,155,539</u>	<u>5,807,740</u>
EXPENSES			
Water and wastewater	1,108,534	969,834	1,008,098
Parks and recreation	1,065,700	950,625	912,356
Administration	911,722	861,571	794,581
Common services	600,874	579,510	566,370
Culture	407,729	399,134	341,097
Family and community support	332,716	353,497	293,928
Roads, streets, walks and lighting	329,200	352,350	268,381
Planning, zoning, & development	341,522	324,614	231,685
Waste management	290,519	282,255	278,056
Legislative	232,278	208,360	215,874
Other public health & welfare	-	168,913	178,473
Fire and disaster services	119,647	140,928	126,196
Bylaw enforcement	101,330	96,154	88,761
Cemetery	4,000	2,335	6,884
Amortization	-	1,237,754	1,129,304
	<u>5,845,771</u>	<u>6,927,834</u>	<u>6,440,044</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	<u>466,525</u>	<u>(772,295)</u>	<u>(632,304)</u>
OTHER REVENUE			
Government transfers for capital (Schedule 3)	713,480	1,368,259	915,112
Contributed tangible capital assets	-	19,291	-
Loss on disposal of tangible capital assets	-	(139,177)	(20,270)
	<u>713,480</u>	<u>1,248,373</u>	<u>894,842</u>
ANNUAL SURPLUS	<u>1,180,005</u>	<u>476,078</u>	<u>262,538</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>31,994,128</u>	<u>31,994,128</u>	<u>31,731,590</u>
ACCUMULATED SURPLUS, END OF YEAR (Note 8)	<u>\$ 33,174,133</u>	<u>\$ 32,470,206</u>	<u>\$ 31,994,128</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GIBBONS
Statement of Changes in Net Debt
For the Year Ended December 31, 2018

	2018 (Budget) (Note 17)	2018 (Actual)	2017 (Restated) (Note 20)
ANNUAL SURPLUS	\$ 1,180,005	\$ 476,078	\$ 262,538
Acquisition of tangible capital assets	(1,534,000)	(3,807,962)	(1,111,317)
Amortization of tangible capital assets	-	1,237,754	1,129,304
Proceeds on disposal of tangible capital assets	-	6,000	25,000
Loss on disposal of tangible capital assets	-	139,177	20,270
	(353,995)	(1,948,953)	325,795
Use (acquisition) of supplies inventory	-	21,266	(67,200)
Use (acquisition) of prepaid expenses	-	(2,660)	601
DECREASE (INCREASE) IN NET DEBT	(353,995)	(1,930,347)	259,196
NET DEBT - BEGINNING OF YEAR	(274,793)	(274,793)	(533,989)
NET DEBT - END OF YEAR	\$ (628,788)	\$ (2,205,140)	\$ (274,793)

The accompanying notes are an integral part of these financial statements.

TOWN OF GIBBONS
Statement of Cash Flows
For The Year Ended December 31, 2018

	2018	2017 (Restated) (Note 20)
OPERATING ACTIVITIES		
Annual surplus	\$ 476,078	\$ 262,538
Non-cash items not included in annual surplus:		
Amortization of tangible capital assets	1,237,754	1,129,304
Loss on disposal of tangible capital assets	139,177	20,270
Contributed tangible capital assets	(19,291)	-
	<u>1,833,718</u>	<u>1,412,112</u>
Changes in non-cash working capital balances related to operations:		
Receivables	(247,861)	126,659
Loans receivable	(68,775)	-
Land held for resale	(650,000)	-
Accounts payable and accrued liabilities	111,456	115,816
Deferred revenue	(145,577)	184,415
Deposit liabilities	1,752	2,493
Inventories for consumption	21,266	(67,200)
Prepaid expenses	(2,660)	601
	<u>(980,399)</u>	<u>362,784</u>
Cash flow from operating activities	<u>853,319</u>	<u>1,774,896</u>
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(3,788,671)	(1,111,317)
Proceeds on sale of tangible capital assets	6,000	25,000
Cash flow used by capital activities	<u>(3,782,671)</u>	<u>(1,086,317)</u>
FINANCING ACTIVITIES		
Long-term debt repaid	(515,866)	(653,739)
Long-term debt issued	-	2,544,000
Cash flow from (used by) financing activities	<u>(515,866)</u>	<u>1,890,261</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	(3,445,218)	2,578,840
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,335,675	2,756,835
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,890,457	\$ 5,335,675

The accompanying notes are an integral part of these financial statements.

TOWN OF GIBBONS

**Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2018**

(Schedule 1)

	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 29,753,786	\$ 29,543,408
Acquisition of tangible capital assets	3,807,962	1,111,317
Amortization of tangible capital assets	(1,237,754)	(1,129,304)
Long-term debt repaid	515,866	653,739
Long-term debt issued	-	(2,544,000)
Cost of tangible capital assets disposed of	(760,912)	(147,235)
Accumulated amortization of tangible capital assets disposed of	615,736	101,965
Unexpended (utilization of unexpended) long-term debt	(1,733,865)	2,163,896
BALANCE, END OF YEAR	\$ 30,960,819	\$ 29,753,786
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 34,609,336	\$ 32,184,304
Long-term debt	(4,471,635)	(4,987,501)
Total long-term debt issued but unexpended	823,118	2,556,983
	\$ 30,960,819	\$ 29,753,786

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TOWN OF GIBBONS
Schedule of Property Taxes
For the Year Ended December 31, 2018

(Schedule 2)

	2018 (Budget) (Note 17)	2018 (Actual)	2017 (Actual)
TAXATION	\$ 3,684,899	\$ 3,678,654	\$ 3,573,024
REQUISITIONS			
Alberta School Foundation	1,013,369	1,013,369	992,193
Homeland Housing	36,529	36,529	36,900
Designated Industrial Property	123	123	-
	<u>1,050,021</u>	<u>1,050,021</u>	<u>1,029,093</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 2,634,878</u>	<u>\$ 2,628,633</u>	<u>\$ 2,543,931</u>

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TOWN OF GIBBONS
Schedule of Government Transfers
For the Year Ended December 31, 2018

(Schedule 3)

	2018 (Budget) (Note 17)	2018 (Actual)	2017 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 416,467	\$ 348,544	\$ 314,065
Local governments	130,624	132,895	120,552
Federal government	7,344	7,050	8,236
	554,435	488,489	442,853
TRANSFERS FOR CAPITAL			
Provincial government	713,480	1,368,259	915,112
TOTAL GOVERNMENT TRANSFERS	\$ 1,267,915	\$ 1,856,748	\$ 1,357,965

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TOWN OF GIBBONS
Schedule of Segmented Information
For the Year Ended December 31, 2018

(Schedule 4)

	General Administration	Recreation & Culture	Protective Services	Public Works & Transportation Services	Environmental Services	All Other	Total
REVENUE							
Taxation	\$ 808,089	\$ 662,628	\$ 91,442	\$ 868,735	\$ -	\$ 197,739	\$ 2,628,633
Sales and user charges	21,707	87,347	99,935	46,928	1,648,779	300,839	2,205,535
Government transfers	10,000	189,316	7,250	7,622	-	274,301	488,489
All other	21,775	410,468	38,455	8,575	1,105	352,504	832,882
	<u>861,571</u>	<u>1,349,759</u>	<u>237,082</u>	<u>931,860</u>	<u>1,649,884</u>	<u>1,125,383</u>	<u>6,155,539</u>
EXPENSES							
Salaries, wages and benefits	562,948	696,274	67,019	386,235	82,328	632,683	2,427,487
Contracted and general services	60,175	750	76,454	50,658	923,599	117,523	1,229,159
Materials, goods, and supplies	123,836	276,380	60,168	241,902	26,434	300,717	1,029,437
Utilities	20,989	175,649	17,221	138,534	51,937	5,797	410,127
Repairs & maintenance	46,513	108,939	12,264	114,531	72,737	485	355,469
Interest on long-term debt	-	68,574	-	-	95,054	-	163,628
Insurance	47,110	23,193	3,956	-	-	514	74,773
	<u>\$ 861,571</u>	<u>\$ 1,349,759</u>	<u>\$ 237,082</u>	<u>\$ 931,860</u>	<u>\$ 1,252,089</u>	<u>\$ 1,057,719</u>	<u>\$ 5,690,080</u>
NET REVENUE BEFORE AMORTIZATION	-	-	-	-	397,795	67,664	465,459
Amortization	60,776	313,977	21,985	519,552	314,301	7,163	1,237,754
NET REVENUE (DEFICIT)	<u>\$ (60,776)</u>	<u>\$ (313,977)</u>	<u>\$ (21,985)</u>	<u>\$ (519,552)</u>	<u>\$ 83,494</u>	<u>\$ 60,501</u>	<u>\$ (772,295)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GIBBONS

**Schedule of Segmented Information
For the Year Ended December 31, 2017**

(Schedule 5)

	General Administration	Recreation & Culture	Protective Services	Public Works & Transportation Services	Environmental Services	All Other	Total
REVENUE							
Taxation	\$ 720,789	\$ 602,807	\$ 90,348	\$ 775,880	\$ -	\$ 354,107	\$ 2,543,931
Sales and user charges	33,959	98,901	95,014	50,318	1,621,685	144,092	2,043,969
Government transfers	-	178,362	7,683	-	-	256,808	442,853
All other	39,833	373,383	21,912	8,553	1,779	331,527	776,987
	<u>794,581</u>	<u>1,253,453</u>	<u>214,957</u>	<u>834,751</u>	<u>1,623,464</u>	<u>1,086,534</u>	<u>5,807,740</u>
EXPENSES							
Salaries, wages and benefits	\$ 519,431	\$ 597,075	\$ 68,388	\$ 420,589	\$ 76,822	\$ 568,406	\$ 2,250,711
Contracted and general services	55,446	5,544	73,084	41,430	904,200	81,056	1,160,760
Materials, goods, and supplies	104,089	276,171	46,378	167,993	26,661	262,861	884,153
Utilities	18,465	163,469	16,340	132,758	51,207	10,050	392,289
Repairs & maintenance	51,004	176,516	6,462	71,981	127,604	3,839	437,406
Interest on long-term debt	-	15,495	-	-	99,660	-	115,155
Insurance	46,146	19,183	4,305	-	-	632	70,266
	<u>794,581</u>	<u>1,253,453</u>	<u>214,957</u>	<u>834,751</u>	<u>1,286,154</u>	<u>926,844</u>	<u>5,310,740</u>
NET REVENUE BEFORE AMORTIZATION	-	-	-	-	337,310	159,690	497,000
Amortization	52,642	231,661	21,985	522,800	293,053	7,163	1,129,304
NET REVENUE (DEFICIT)	<u>\$ (52,642)</u>	<u>\$ (231,661)</u>	<u>\$ (21,985)</u>	<u>\$ (522,800)</u>	<u>\$ 44,257</u>	<u>\$ 152,527</u>	<u>\$ (632,304)</u>

TOWN OF GIBBONS

Notes to Financial Statements

For the Year Ended December 31, 2018

1. ACCOUNTING POLICIES

The financial statements of the Town of Gibbons (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, revenues and expenses, and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to Town Council for the administration of their financial affairs and resources. Included in with the municipality are the following:

Town of Gibbons Volunteer Fire Department
Town of Gibbons Public Library

The schedule of property taxes also includes requisitions for education that are not part of the reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 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, the Town has met any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

(d) 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.

The Town has used estimates to determine accrued liabilities, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment.

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TOWN OF GIBBONS
Notes to Financial Statements
For the Year Ended December 31, 2018

1. ACCOUNTING POLICIES (continued)

(e) *Land Held for Resale*

Land held for resale is recorded at 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 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.

(f) *Inventories for Consumption*

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

(g) *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:

Engineered structures:	
Water system	45 - 75 years
Wastewater system	45 - 75 years
Other	10 - 40 years
Buildings	25 - 50 years
Vehicles	10 - 25 years
Land improvements	15 - 25 years
Machinery and equipment	5 - 40 years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Works of art for display are not recorded as tangible capital assets but are disclosed.

(h) *Landfill Closure and Post-Closure Liability*

The Town is a member of the Roseridge Solid Waste Management Services Commission (the Commission) and, pursuant to the *Alberta Environmental Protection and Enhancement Act*, the Town may be required to fund its share of the closure of the landfill site and provide for its share of the post-closure costs of the facility. By statute, the Commission must provide for these costs and it is the opinion of the Town's management that the Commission has sufficient reserves to cover the future closure and post-closure costs.

(i) *Tax Revenue*

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality and are recognized as revenue in the year in which the local improvement project is completed.

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TOWN OF GIBBONS
Notes to Financial Statements
For the Year Ended December 31, 2018

1. ACCOUNTING POLICIES (continued)

(j) *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.

(k) *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.

(l) *Contaminated Sites*

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

2. RECEIVABLES

	<u>2018</u>	<u>2017</u>
Trade and other	\$ 308,192	\$ 153,056
Taxes and grants in place of taxes	242,053	194,505
Utilities	159,621	155,660
Goods and Services Tax rebate	97,908	56,693
	<u>807,774</u>	559,914
Less: allowance for doubtful accounts	<u>(5,000)</u>	<u>(5,000)</u>
	<u>\$ 802,774</u>	<u>\$ 554,914</u>

TOWN OF GIBBONS

Notes to Financial Statements

For the Year Ended December 31, 2018

3. LOANS RECEIVABLE

In 2018, as part of the its Williams Park Sanitary Service Upgrades project and upon residents entering into a Letter of Agreement for Repayment, the Town undertook remediation work necessary to upgrade or replace the sanitary lines originating from resident homes to the Town's primary service line, which was approved under Council motion 18.158.

The loans were issued to residents of 18 tax rolls. Loans are repayable in equal annual installments ranging between 1 and 10 years and are non-interest bearing as long as the resident does not default on a regularly scheduled payment without prior authorization of the Town.

In the event of a defaulted payment without prior authorization of the Town, the Town has secured the loans by way of requiring the loan balance to be due in full and applied against the applicable tax roll, bearing interest at a rate of 3% per annum beginning from the first day after the date of the defaulted regularly scheduled payment.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade and other	\$ 482,652	\$ 375,576
Accrued employee vacation pay	97,555	91,802
Accrued debenture interest	17,898	19,272
	<u>\$ 598,105</u>	<u>\$ 486,650</u>

5. DEFERRED REVENUE

Deferred revenue represents unspent externally restricted funds that are related to expenses that will be incurred in a future period.

	<u>2018</u>	<u>2017</u>
Alberta Municipal Water / Wastewater Program	\$ 283,672	\$ 278,315
Other	110,203	164,453
Community Facility Enhancement Program	110,000	158,000
Municipal Sustainability Initiative - capital component	-	48,684
	<u>\$ 503,875</u>	<u>\$ 649,452</u>

TOWN OF GIBBONS
Notes to Financial Statements
For the Year Ended December 31, 2018

6. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$144,782 including interest at 2.532% maturing December 2027.	\$ 2,317,426	\$ 2,544,000
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$75,879 including interest at 4.781% maturing June 2033.	1,574,264	1,648,099
Alberta Capital Finance Authority debenture repayable in annual installments of \$38,331 including interest at 6.000% maturing April 2028.	282,120	302,312
Alberta Capital Finance Authority debenture repayable in annual installments of \$114,091 including interest at 1.339% maturing June 2020.	168,870	279,587
Alberta Capital Finance Authority debenture repayable in annual installments of \$87,124 including interest at 1.339% maturing June 2020.	128,955	213,503
	<u>\$ 4,471,635</u>	<u>\$ 4,987,501</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 529,047	\$ 151,822	\$ 680,869
2020	442,047	138,214	580,261
2021	353,467	126,186	479,653
2022	365,252	114,401	479,653
2023	377,482	102,171	479,653
To maturity	<u>2,404,340</u>	<u>387,278</u>	<u>2,791,618</u>
	<u>\$ 4,471,635</u>	<u>\$ 1,020,072</u>	<u>\$ 5,491,707</u>

TOWN OF GIBBONS
Notes to Financial Statements
For the Year Ended December 31, 2018

7. TANGIBLE CAPITAL ASSETS

	2018	2017
	Net Book	Net Book
	Value	Value
Engineered structures	\$ 18,140,404	\$ 18,066,034
Buildings	6,435,495	5,919,146
Land	5,776,998	5,776,998
Land improvements	1,551,168	938,355
Machinery and equipment	1,543,386	177,438
Vehicles	840,398	925,365
Work in progress	321,487	380,968
	\$ 34,609,336	\$ 32,184,304

	Cost				Cost
	Beginning of	Additions	Disposals	Transfers	End of
	Year				Year
Engineered structures	\$ 31,347,456	\$ 802,504	\$ -	\$ -	\$ 32,149,960
Land	5,776,998	-	-	-	5,776,998
Buildings	8,672,206	592,221	(608,618)	241,336	8,897,145
Vehicles	1,844,344	68,760	(70,196)	-	1,842,908
Land improvements	1,654,080	722,735	(82,098)	-	2,294,717
Machinery and equipment	338,908	228,401	-	1,211,486	1,778,795
Work in progress	380,968	1,393,341	-	(1,452,822)	321,487
	\$ 50,014,960	\$ 3,807,962	\$ (760,912)	\$ -	\$ 53,062,010

	Accumulated				Accumulated
	Amortization	Current	Disposals	Transfers	Amortization
	Beginning of	Amortization			End of
	Year				Year
Engineered structures	\$ 13,281,422	\$ 728,134	\$ -	\$ -	\$ 14,009,556
Buildings	2,753,060	219,830	(511,240)	-	2,461,650
Vehicles	918,979	115,117	(31,586)	-	1,002,510
Land improvements	715,725	100,734	(72,910)	-	743,549
Machinery and equipment	161,470	73,939	-	-	235,409
	\$ 17,830,656	\$ 1,237,754	\$ (615,736)	\$ -	\$ 18,452,674

TOWN OF GIBBONS
Notes to Financial Statements
For the Year Ended December 31, 2018

8. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Restricted surplus		
Operating reserves (Note 12)	\$ 19,500	\$ 19,500
Capital reserves (Note 12)	1,489,887	2,220,842
Equity in tangible capital assets (Schedule 1)	<u>30,960,819</u>	<u>29,753,786</u>
	<u>\$ 32,470,206</u>	<u>\$ 31,994,128</u>

9. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town could become liable for its proportionate shares 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.

10. FRANCHISE FEES AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	2018 (Budget) (Note 17)	2018 (Actual)	2017 (Actual)
ATCO Gas	\$ 250,000	\$ 209,592	\$ 233,952
Fortis Alberta	144,000	137,040	135,359
	<u>\$ 394,000</u>	<u>\$ 346,632</u>	<u>\$ 369,311</u>

11. SEGMENTED INFORMATION

The Town provides a range of services to its citizens. 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. For additional information see the Schedules of Segmented Disclosure (Schedule 4 & Schedule 5).

TOWN OF GIBBONS
Notes to Financial Statements
For the Year Ended December 31, 2018

12. RESTRICTED SURPLUS

	<u>2018</u>	<u>2017</u>
Operating Reserves		
Family and Community Support Services	\$ 19,500	\$ 19,500
Capital Reserves		
Water	\$ 405,360	\$ 435,519
General	312,353	760,932
Sewage	245,761	441,934
Roads off site levy	230,076	230,076
Sewage off site levy	218,091	218,091
General administration	63,224	103,893
Water off site levy	10,397	10,397
Planning/Zoning	4,625	-
Zamboni replacement	-	20,000
	<u>\$ 1,489,887</u>	<u>\$ 2,220,842</u>

13. 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 Town of Gibbons be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 9,233,309	\$ 8,711,610
Total debt	(4,471,635)	(4,987,501)
Total debt limit remaining	<u>\$ 4,761,674</u>	<u>\$ 3,724,109</u>
Service on debt limit	\$ 1,538,885	\$ 1,451,935
Service on debt	(680,869)	(680,868)
Total service on debt limit remaining	<u>\$ 858,016</u>	<u>\$ 771,067</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the Town. Rather, the financial statements must be interpreted as a whole.

TOWN OF GIBBONS

Notes to Financial Statements

For the Year Ended December 31, 2018

14. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Town officials, the Town Chief Administrative Officer and designated officers are required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits (2)	2018	2017
Mayor Deck	\$ 24,620	\$ 728	\$ 25,348	\$ 4,641
Mayor Horner	-	-	-	10,186
Councillors				
McCann	24,450	723	25,173	23,753
Harris	19,290	552	19,842	16,025
Berry	19,300	33	19,333	3,660
Woodger	17,770	33	17,803	17,630
Millante	17,180	482	17,662	3,525
Sandahl	15,880	84	15,964	2,400
Bauder	-	-	-	22,899
Derouin	-	-	-	11,301
Parsons	-	-	-	11,290
Chief Administrative Officer				
O'Malley	163,631	18,901	182,532	181,040
Designated Officers (Two)	193,871	35,968	229,839	214,961
	\$ 495,992	\$ 57,504	\$ 553,496	\$ 523,311

(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.

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

15. FUNDS HELD IN TRUST

The Town administers the following trust funds on behalf of third parties. As related trust assets are not owned by the Town, the trust funds have been excluded from the financial statements. Transactions during the year are as follows:

	2018	2017
Balance, Beginning of Year.	\$ 5,202	\$ 4,443
Sale of plots	850	718
Interest income	81	41
	\$ 6,133	\$ 5,202

TOWN OF GIBBONS

Notes to Financial Statements

For the Year Ended December 31, 2018

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, receivables, loans receivable, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The Town is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the Town's credit risk.

17. BUDGET FIGURES

	2018 (Budget)	2018 (Actual)
Annual surplus	\$ 1,180,005	\$ 476,078
Amortization	-	1,237,754
Acquisition of tangible capital assets	(1,534,000)	(3,807,962)
Long-term debt repayments	(513,342)	(515,866)
Utilization of unexpended long-term debt	-	1,733,865
Net transfers (to) from reserves	867,337	730,955
Results of operations	<u>\$ -</u>	<u>\$ (145,176)</u>

The budget data presented in these financial statements is based on the operating and capital budgets approved by Town Council on April 11, 2018 and April 25, 2018, respectively. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

18. CREDIT FACILITY

The Town has access to a revolving line of credit with a limit of \$1,000,000, bearing interest at prime rate plus 0.00%. At December 31, 2018, the balance owing was \$589,855 (2017 - \$Nil).

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and management.

20. RESTATEMENT

During 2018 the Town discovered that, due to an error in the water meter consumption calculation process, a group of residents had been incorrectly overcharged for water consumption for the years 2011 - 2017. This correction has been applied retroactively and the 2017 comparative figures have been restated. The effect on the previously reported 2017 figures has been to increase accounts payable and accrued liabilities by \$148,305, decrease sales and user charges \$41,355 and decrease opening accumulated surplus \$106,950.
