TOWN OF BASHAW

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

TOWN OF BASHAW

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Page
Auditors' Report	2
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Financial Assets (Debt)	5
Statement of Cash Flows	6
Schedule 1 – Changes in Accumulated Surplus	7
Schedule 2 – Schedule of Tangible Capital Assets	8
Schedule 3 – Property and Other Taxes	9
Schedule 4 – Government Transfers	10
Schedule 5 –Expenses by Object	10
Schedule 6 - Segmented Disclosure	11
Notes to Financial Statements	12 - 23

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council

We have audited the accompanying financial statements of the Town of Bashaw, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net financial assets/debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Town of Bashaw as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 21, 2016

CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	$ 2,114,094	$ 1,722,707
Taxes and grants in place of taxes receivables (Note 4)	93,768	81,299
Trade and other receivables (Note 5)	569,578	339,746
Land held for resale	246,857	252,573
Long-term investments (Note 6)	286,790	240,104
	3,311,087	2,636,429
LIABILITIES		
Accounts payable and accrued liabilities	82,638	92,139
Deposit liabilities	509	509
Deferred revenue (Note 8)	757,344	412,024
Due to Highway 12/21 Regional Water Services Commission (Note 9)	247,207	207,719
Reclamation liability (Note 10)	8,000	8,000
	1,095,698	720,391
NET FINANCIAL ASSETS (DEBT)	2,215,389	1,916,038
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	10,064,764	10,424,707
Prepaid expenses	7,680	1,570
Inventory for consumption	15,423	16,205
	10,087,867	10,442,482
ACCUMULATED SURPLUS (Schedule 1, Note 11)	$ 12,303,256	$ 12,358,520

Contingencies Note 19

APPROVED ON BEHALF OF THE TOWN COUNCIL:

_____ Mayor

TOWN OF BASHAW

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
REVENUES			
Net municipal property taxes (Schedule 3)	$ 690,324	$ 689,950	$ 673,918
Government transfers for operating (Schedule 4)	151,120	171,801	197,965
Sales of goods and user fees	473,995	669,767	576,009
Investment income	12,000	11,693	15,354
Rentals	16,150	13,847	17,869
Franchise and concession contracts	50,000	58,673	56,228
Penalties and costs of taxes	15,000	26,561	17,080
Other	44,000	70,286	40,942
Total Revenue	1,452,589	1,712,578	1,595,365
EXPENSES (Schedule 5)			
Legislative	39,460	46,355	25,744
Administration	382,425	363,145	355,388
Fire, ambulance and bylaws enforcement	91,035	88,237	73,914
Roads, streets, walk, lighting	282,640	290,897	224,012
Water and wastewater	234,835	199,622	147,371
Waste management	71,875	68,574	72,036
Family and community support	54,650	53,191	50,691
Subdivision land and development	11,400	20,067	34,469
Public health and welfare	26,100	25,870	59,814
Recreation and parks	222,840	177,751	169,744
Culture	49,300	39,714	48,183
Amortization (Note 20)	-	408,100	406,518
Total Expenses	1,466,560	1,781,523	1,667,884
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	13,971	(68,945)	(72,519)
OTHER			
Government transfers for capital (Schedule 4)	-	13,681	173,010
	-	13,681	173,010
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	13,971	(55,264)	100,491
ACCUMULATED SURPLUS – BEGINNING OF YEAR	12,358,520	12,358,520	12,258,029
ACCUMULATED SURPLUS – END OF YEAR	$ 12,372,491	$ 12,303,256	$ 12,358,520

TOWN OF BASHAW

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	$ 13,971	$ (55,264)	$ 100,491
Acquisition of tangible capital assets	-	(48,157)	(173,010)
Amortization of tangible capital assets	-	408,100	406,518
(Gain) loss on sale of tangible capital assets	-	-	-
Proceeds on sale of tangible capital assets	-	-	-
	-	359,943	233,508
Inventory used for consumption	-	782	2,463
Acquisition of prepaid assets	-	(7,680)	(1,570)
Use of prepaid assets	-	1,570	3,885
	-	(5,328)	4,778
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	13,971	299,351	338,777
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	1,916,038	1,916,038	1,577,261
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	$ 1,930,009	$ 2,215,389	$ 1,916,038

TOWN OF BASHAW

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	$ (55,264)	$ 100,491
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	408,100	406,518
(Gain) loss on disposal of tangible capital assets	-	-
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	(12,469)	(24,431)
Trade and other receivables	(229,832)	(245,855)
Prepaid expenses	(6,110)	2,315
Land held for resale	5,716	(54,907)
Inventory for consumption	782	2,463
Accounts payable and accrued liabilities	(9,501)	(6,846)
Deposit liabilities	-	-
Deferred revenue	345,320	178,671
Reclamation liability	-	-
Net cash provided by (used in) operating activities	446,742	358,419
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	-	-
Acquisition of tangible capital assets	(48,157)	(173,010)
Net cash provided by (used in) capital activities	(48,157)	(173,010)
INVESTING ACTIVITIES		
Purchase of long – term investments	(46,686)	-
Decrease (increase) in restricted cash and short-term investments	(168,372)	55,668
Net cash provided by (used in) investing activities	(215,058)	55,668
FINANCING ACTIVITIES		
Due to Highway 12/21 borrowings	46,686	-
Due to Highway 12/21 Regional Water Services Commission - Payments	(7,198)	(6,247)
Net cash provided by (used in) financing activities	39,488	(6,247)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	223,015	234,830
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,552,619	1,317,789
CASH AND CASH EQUIVALENTS - END OF YEAR	1,775,634	1,552,619
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 3)	2,114,094	1,722,707
Less: Restricted portion of cash and short term investments (Note 3)	(338,460)	(170,088)
	$ 1,775,634	$ 1,552,619

TOWN OF BASHAW

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2015	2014
BALANCE - BEGINNING OF YEAR	$ 1,341,714	$ 592,099	$ 10,424,707	$ 12,358,520	$ 12,258,029
Excess (deficiency) of revenues over expenses	(55,264)	-	-	(55,264)	100,491
Restricted funds used for operations	57,713	(57,713)	-	-	-
Restricted funds used for tangible capital assets	-	(34,474)	34,474	-	-
Current year funds used for tangible capital assets	(13,681)	-	13,681	-	-
Annual amortization expense	408,098	-	(408,098)	-	-
Change in accumulated surplus	396,866	(92,187)	(359,943)	(55,264)	100,491
BALANCE - END OF YEAR	$ 1,738,580	$ 499,912	$ 10,064,764	$ 12,303,256	$ 12,358,520

TOWN OF BASHAW

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2015	2014
COST:								
BALANCE - BEGINNING OF YEAR	$ 200,267	$ 43,766	$ 4,085,851	$ 11,914,103	$ 819,454	$ 199,645	$ 17,263,086	$ 17,090,076
Acquisition of tangible capital assets	-	-	-	15,675	32,482	-	48,157	173,010
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE - END OF YEAR	200,267	43,766	4,085,851	11,929,778	851,936	199,645	17,311,243	17,263,086
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	12,539	762,507	5,545,606	408,901	108,826	6,838,379	6,431,861
Annual amortization	-	2,919	81,238	269,724	43,025	11,194	408,100	406,518
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
BALANCE - END OF YEAR	-	15,458	843,745	5,815,330	451,926	120,020	7,246,479	6,838,379
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 200,267	$ 28,308	$ 3,242,106	$ 6,114,448	$ 400,010	$ 79,625	$ 10,064,764	$ 10,424,707

TOWN OF BASHAW

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
TAXATION			
Real property taxes	$ 852,618	$ 835,480	$ 811,694
Linear property taxes	26,652	27,163	27,082
Government grants in lieu of property taxes	21,415	37,668	37,202
	900,685	900,311	875,978
REQUISITIONS			
Alberta School Foundation Fund	200,516	200,516	191,624
Camrose Seniors' Foundation	9,845	9,845	10,436
	210,361	210,361	202,060
NET MUNICIPAL TAXES	$ 690,324	$ 689,950	$ 673,918

TOWN OF BASHAW

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
TRANSFERS FOR OPERATING			
Provincial government	$ 45,000	$ 81,766	$ 81,777
Local government	106,120	85,235	116,188
Individuals and organizations	-	4,800	-
	151,120	171,801	197,965
TRANSFERS FOR CAPITAL			
Federal government	-	-	-
Provincial government	-	13,681	173,010
Local boards and agencies	-	-	-
	-	13,681	173,010
TOTAL GOVERNMENT TRANSFERS	$ 151,120	$ 185,482	$ 370,975

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budget (Unaudited)	2015	2014
EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 562,780	$ 557,114	$ 488,297
Contracted and general services	445,880	389,859	340,822
Materials, goods, supplies and utilities	344,180	302,036	270,171
Transfers to individuals, organizations and boards	108,150	113,885	133,873
Amortization of tangible capital assets (Note 20)	-	408,100	406,518
Other expenditures	5,570	10,529	28,203
	$ 1,466,560	$ 1,781,523	$ 1,667,884

TOWN OF BASHAW

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2015

	General Government	Protective Services	Transportation Services	Enviromental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	$ 689,950	$ -	$ -	$ -	$ -	$ -	$ -	$ 689,950
Government transfers	-	50,124	3,000	13,681	73,910	-	44,767	185,482
Sales of goods and user fees	2,161	15,787	-	411,476	1,335	179,048	59,960	669,767
Investment income	11,693	-	-	-	-	-	-	11,693
Other revenues	131,122	4,433	2,845	14,133	-	4,699	12,135	169,367
	834,926	70,344	5,845	439,290	75,245	183,747	116,862	1,726,259
EXPENSES								
Contracted and general services	111,248	37,453	29,399	144,049	304	10,676	56,730	389,859
Salaries, wages and benefits	279,256	27,707	118,548	63,202	566	-	67,835	557,114
Materials, goods, supplies and utilities	8,887	23,077	142,950	60,947	-	3,675	62,500	302,036
Transfers - individuals, organizations, boards	5,294	-	-	-	78,191	-	30,400	113,885
Other expenditures	4,816	-	-	-	-	5,713	-	10,529
	409,501	88,237	290,897	268,198	79,061	20,064	217,465	1,373,423
NET REVENUE - BEFORE AMORTIZATION	425,425	(17,893)	(285,052)	171,092	(3,816)	163,683	(100,603)	352,836
Amortization of tangible capital assets	(12,226)	(5,810)	(202,897)	(107,091)	-	(894)	(79,182)	(408,100)
NET REVENUE	$ 413,199	$ (23,703)	$ (487,949)	$ 64,001	$ (3,816)	$ 162,789	$ (179,785)	$ (55,264)

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the town and are, therefore, accountable to the council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due with the exception of pension expenditures as disclosed in Note 1(g).

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Use of Estimates - Continued

Amortization is based on the estimated useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(d) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(e) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post – remediation including operation, maintenance and monitoring.

(f) Government Transfers

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

(g) Pension Expenditure

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

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

(h) Taxes and Grants in Place of Taxes Receivables

Current and arrears taxes and grants in place of taxes receivables consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(i) Investments

Investments are recorded at cost when there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(j) Land for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges.

(k) Cash and Cash Equivalents

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

(l) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

(m) Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(n) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets - Continued

(i) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	25-50
Engineered structures	
Roadway system	20-30
Water system	45-75
Wastewater system	45-75
Other engineered structures	75
Machinery and equipment	5-40
Vehicles	10-25

The annual amortization charge in the year of acquisition and in the year of disposal is pro-rated based on the number of days that the asset was owned during the year. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of Tangible Capital Assets

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

(iii) Inventories

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

2. RECENT 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. The town is currently evaluating the effect of adopting these standards on their financial statements.

(a) Section PS 3041 - Portfolio Investments
This new section establishes standards on how to account for and report portfolio investments in government financial statements. This standard is effective for the 2016 fiscal year.

(b) Section PS 3450 – Financial Instruments
This section establishes standards on how to account for and report all types of financial instruments including derivatives. This standard is effective for the 2016 fiscal year.

3. CASH AND SHORT TERM INVESTMENTS

	2015	2014
Cash	$ 1,242,109	$ 859,213
Short term investments	871,985	863,494
	$ 2,114,094	$ 1,722,707

Short term investments are valued at cost and are deposits with original maturities of three months or less. The interest rate is at 1.25%.

Council has designated funds of $499,912 (2014 - $592,099) included in the above amounts for restricted surplus.

Included in the above are the restricted amounts of $287,551 (2014 - $141,355) of deferred grant funding, $35,533 (2014 - $13,436) of donations and $15,376 (2014 - $15,297) of tax recovery funds.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2015	2014
Current taxes and grants in place of taxes	$ 59,335	$ 51,228
Arrears taxes and grants in place of taxes	34,433	30,071
	$ 93,768	$ 81,299

5. TRADE AND OTHER RECEIVABLES

Grants	$ 493,032	$ 253,457
Utilities	57,627	54,176
GST	-	11,933
Other	18,919	20,180
	$ 569,578	$ 339,746

6. LONG-TERM INVESTMENTS

	2015	2014
Highway 12/21 Regional Water Services Commission	$ 286,790	$ 240,094
A.M.F.C. shares, at cost	10	10
	$ 286,800	$ 240,104

7. TRUST FUNDS

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

Tax Sale Surplus	2015	2014
Balance – beginning of year	$ 15,144	$ 15,144
Additions during the year	-	-
Balance – end of year	$ 15,144	$ 15,144

This amount is included in accounts payable.

8. DEFERRED REVENUE

	2015	2014
Grants		
Basic Municipal Transportation	$ 93,426	$ 92,574
Federal Gas Tax	101,123	51,089
Municipal Sustainability Initiative	526,267	251,149
Donations and prepayments received	36,528	17,212
	$ 757,344	$ 412,024

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

	2015	2014
Payable to Highway 12/21 Regional Water Services Commission, due $7,189 semi-annually including interest at 5.24%, maturing Dec. 2033	$ 166,234	$ 171,661
Payable to Highway 12/21 Regional Water Services Commission, due $1,387 semi-annually including interest at 4.59% maturing Dec 2034	34,925	36,058
Payable to Highway 12/21 Regional Water Services Commission, due $1,326 semi-annually including interest at 2.94%, maturing June 2040	46,048	-
	$ 247,207	$ 207,719

Principal and interest repayments are as follows:

	Principal	Interest	Total
2016	$ 8,231	$ 11,571	$ 19,802
2017	8,630	11,173	19,803
2018	9,048	10,755	19,803
2019	9,487	10,315	19,802
2020	9,948	9,854	19,802
Thereafter	201,863	75,576	277,439
	$ 247,207	$ 129,244	$ 376,451

10. RECLAMATION LIABILITY

The town has an obligation to reclaim a gravel pit. The amount recorded is an estimate made by management of the costs associated with reclamation.

11. ACCUMULATED SURPLUS

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

	2015	2014
Unrestricted surplus (deficit)	$ 1,738,580	$ 1,341,714
Equity in tangible capital assets	10,064,764	10,424,707
Restricted surplus (Note 12)	499,912	592,099
	$ 12,303,256	$ 12,358,520

12. RESTRICTED SURPLUS

	2014	Increases	Decreases	2015
Restricted for Operating:				
Administration	$ 8,690	$ -	$ 2,833	$ 5,857
Arena renovation	2,593	-	-	2,593
Beautification	8,772	-	122	8,650
Cemetery	6,857	-	-	6,857
Centennial celebration	4,460	-	4,460	-
Community Centre renovation	5,467	-	-	5,467
Medical clinic	1,266	-	-	1,266
Seniors' transportation	4,103	-	-	4,103
	42,208	-	7,415	34,793
Restricted for Capital:				
Administration	11,217	50,000	58,597	2,620
Airport	4,047	-	-	4,047
Cemetery	7,367	-	1,800	5,567
Culture	23,443	-	-	23,443
Emergency services	27,466	-	-	27,466
Equipment replacement	136,103	-	3,950	132,153
Pathway system	22,500	-	-	22,500
Roads	59,331	-	-	59,331
Subdivision, land and development	198,493	-	68,433	130,060
Tourism	2,000	-	-	2,000
Water infrastructure	40,602	-	-	40,602
Wastewater infrastructure	17,322	-	1,992	15,330
	549,891	50,000	134,772	465,119
Total	$ 592,099	$ 50,000	$ 142,187	$ 499,912

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2015	2014
Tangible capital assets (Schedule 2)	$ 17,311,243	$ 17,263,086
Accumulated amortization (Schedule 2)	(7,246,479)	(6,838,379)
	$ 10,064,764	$ 10,424,707

14. SALARY & BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313\2000 is as follows:

	2015			2014
	Salary(1)	Benefits Allowances(2)	Total	Total
Penny Shantz, Mayor	$ 5,100	$ 270	$ 5,370	$ 5,370
Bryan Gust, councillor	3,600	220	3,820	3,820
Darren Pearson, councillor	3,600	220	3,820	3,820
Regan Finlay, councillor	-	-	-	3,334
Rosella Peterman, councillor	3,600	152	3,752	3,820
Lynn Schultz, councillor	3,600	220	3,820	161
Linda Hannah CAO	71,154	5,573	76,727	108,314
Tony Goode, Interim CAO	30,935	5,894	36,829	-
Theresa Fuller, CAO	$ 46,016	$ 11,463	$ 57,479	$ -

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Bashaw participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 237,612 people and about 423 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.

15. LOCAL AUTHORITIES PENSION PLAN - Continued

The Town of Bashaw is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess. Employees of the Town of Bashaw are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current and past service contributions by the Town of Bashaw to the Local Authorities Pension Plan in 2015 were $33,451 (2014 - $35,881). Total current and past service contributions by the employees of the Town of Bashaw to the Local Authorities Pension Plan in 2015 were $30,719 (2014 – $32,950).

At December 31, 2014, the Plan disclosed an actuarial deficiency of $2.4 billion.

16. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the municipality be disclosed as follows:

	2015	2014
Total debt limit	$ 2,568,864	$ 2,393,048
Total debt	-	-
Total debt limit available	2,568,864	2,393,048
Debt service limit	428,144	398,841
Debt service	-	-
Debt service limit available	$ 428,144	$ 398,841

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

17. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

The town's financial instruments consist of cash, receivables, long term investments, accounts payable, deposit liabilities and due to Highway 12/21 Regional Water Services Commission. In management's opinion these financial instruments are not exposed to significant interest rate or currency risks.

The town is exposed to various risks through its financial instruments. The following analysis provides a measure of the town's risk exposure and concentrations at the balance sheet date.

17. FINANCIAL INSTRUMENTS - Continued

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.

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.

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, 2015 the town had short-term credit card lines of credit aggregating $10,000 (2014 - $NIL) of which $NIL (2014 - $NIL) had been drawn down. The credit cards bear interest at 16.99%.

18. COMMITMENTS

The town is a member of the Highway 12/21 Regional Water Services Commission. As such, they will be required to purchase water from the commission.

The town has entered into a 10 year agreement with the Highway 12/21 Regional Water Services Commission expiring March 20, 2018 to sell water. The agreement may be terminated by either party giving five years' written notice. Under the agreement, the commission is obligated to purchase an annual quantity of water at a price initially based on costs derived from AWWA manuals of practice and in accordance with findings and directives of the Alberta Energy and Utilities Board.

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.

18. COMMITMENTS - Continued

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 is party to the Bashaw School Enhancement Project and is a legal partner with the Battle River Regional Division #31 to help in raising funds to support the expansion of the school gymnasium.

19. CONTINGENCIES

The town has guaranteed a bank loan of the Bashaw Golf and Country Club. As of December 31, 2015 $250,000 (2014 - $96,099) is owing on the loan. The maximum amount guaranteed is $250,000.

The Town of Bashaw is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town of Bashaw could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

20. AMORTIZATION

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

	Budget (Unaudited)	2015	2014
Administration	$ -	$ 12,226	$ 10,581
Fire, ambulance and bylaws enforcement	-	5,810	5,810
Roads, streets, walk, lighting	-	202,246	203,048
Water and wastewater	-	107,091	106,352
Recreation and parks	-	8,642	8,642
Culture	-	70,540	70,540
Other	-	1,545	1,545
	$ -	$ 408,100	$ 406,518

21. SEGMENTED DISCLOSURE

The Town of Bashaw provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule 6 – Segmented Disclosure.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.

23. COMPARATIVE FIGURES

Certain 2014 comparative figures have been reclassified in order to conform with the financial statement presentation adopted for 2015.