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TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016, 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, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Stettler, Alberta
April 20, 2017

Gitzel & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 3,001,469	\$ 2,114,094
Taxes and grants in place of taxes receivables (Note 4)	95,941	103,363
Trade and other receivables (Note 5)	107,294	569,578
Land held for resale	246,857	246,857
Long-term investments (Note 6)	<u>286,790</u>	<u>286,790</u>
	<u>3,738,351</u>	<u>3,320,682</u>
 LIABILITIES		
Accounts payable and accrued liabilities	112,168	92,233
Deposit liabilities	1,261	509
Deferred revenue (Note 8)	1,015,184	757,344
Due to Highway 12/21 Regional Water Services Commission (Note 9)	238,976	247,207
Reclamation liability (Note 10)	<u>8,000</u>	<u>8,000</u>
	<u>1,375,589</u>	<u>1,105,293</u>
 NET FINANCIAL ASSETS (DEBT)	<u>2,362,762</u>	<u>2,215,389</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	9,818,135	10,064,764
Prepaid expenses	7,910	7,680
Inventory for consumption	<u>14,642</u>	<u>15,423</u>
	<u>9,840,687</u>	<u>10,087,867</u>
 ACCUMULATED SURPLUS (Schedule 1, Note 11)	<u>\$ 12,203,449</u>	<u>\$ 12,303,256</u>

Contingencies Note 19

APPROVED ON BEHALF OF THE TOWN COUNCIL:

Mayor

TOWN OF BASHAW

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 705,192	\$ 704,805	\$ 689,950
Government transfers for operating (Schedule 4)	114,313	171,694	171,801
Sales of goods and user fees	494,900	557,602	669,767
Investment income	12,000	16,324	11,693
Rentals	13,933	14,498	13,847
Franchise and concession contracts	62,000	61,163	58,673
Penalties and costs of taxes	25,000	28,470	26,561
Other	44,775	73,510	70,286
Total Revenue	<u>1,472,113</u>	<u>1,628,066</u>	<u>1,712,578</u>
EXPENSES (Schedule 5)			
Legislative	33,200	30,519	46,355
Administration	351,340	337,287	363,145
Fire, ambulance and bylaws enforcement	100,080	131,356	88,237
Roads, streets, walk, lighting	327,925	296,009	290,897
Water and wastewater	223,377	226,421	199,622
Waste management	68,545	67,790	68,574
Family and community support	60,327	60,327	53,191
Subdivision land and development	13,675	14,624	20,067
Public health and welfare	26,680	25,563	25,870
Recreation and parks	214,214	223,305	177,751
Culture	52,750	49,338	39,714
Amortization (Note 20)	-	372,960	408,100
Total Expenses	<u>1,472,113</u>	<u>1,835,499</u>	<u>1,781,523</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>-</u>	<u>(207,433)</u>	<u>(68,945)</u>
OTHER			
Government transfers for capital (Schedule 4)	<u>107,626</u>	<u>107,626</u>	<u>13,681</u>
	<u>107,626</u>	<u>107,626</u>	<u>13,681</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	107,626	(99,807)	(55,264)
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>12,303,256</u>	<u>12,303,256</u>	<u>12,358,520</u>
ACCUMULATED SURPLUS – END OF YEAR	\$ <u>12,410,882</u>	\$ <u>12,203,449</u>	\$ <u>12,303,256</u>

TOWN OF BASHAW

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>107,626</u>	\$ <u>(99,807)</u>	\$ <u>(55,264)</u>
Acquisition of tangible capital assets	(126,331)	(126,331)	(48,157)
Amortization of tangible capital assets	-	372,960	408,100
(Gain) loss on sale of tangible capital assets	-	-	-
Proceeds on sale of tangible capital assets	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(126,331)</u>	<u>246,629</u>	<u>359,943</u>
Inventory used for consumption	-	781	782
Acquisition of prepaid assets	-	(7,910)	(7,680)
Use of prepaid assets	<u>-</u>	<u>7,680</u>	<u>1,570</u>
	<u>-</u>	<u>551</u>	<u>(5,328)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(18,705)	147,373	299,351
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>2,215,389</u>	<u>2,215,389</u>	<u>1,916,038</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u>2,196,684</u>	\$ <u>2,362,762</u>	\$ <u>2,215,389</u>

TOWN OF BASHAW
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ (99,807)	\$ (55,264)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	372,960	408,100
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	7,422	(12,469)
Trade and other receivables	462,284	(229,832)
Prepaid expenses	(230)	(6,110)
Land held for resale	-	5,716
Inventory for consumption	781	782
Accounts payable and accrued liabilities	19,935	(9,501)
Deposit liabilities	752	-
Deferred revenue	<u>257,840</u>	<u>345,320</u>
Net cash provided by (used in) operating activities	<u>1,021,937</u>	<u>446,742</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	<u>(126,331)</u>	<u>(48,157)</u>
Net cash provided by (used in) capital activities	<u>(126,331)</u>	<u>(48,157)</u>
INVESTING ACTIVITIES		
Purchase of long – term investments	-	(46,686)
Decrease (increase) in restricted cash and short-term investments	<u>(692,162)</u>	<u>(168,372)</u>
Net cash provided by (used in) investing activities	<u>(692,162)</u>	<u>(215,058)</u>
FINANCING ACTIVITIES		
Due to Highway 12/21 borrowings	-	46,686
Due to Highway 12/21 Regional Water Services		
Commission - Payments	<u>(8,231)</u>	<u>(7,198)</u>
Net cash provided by (used in) financing activities	<u>(8,231)</u>	<u>39,488</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	195,213	223,015
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,775,634</u>	<u>1,552,619</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>1,970,847</u>	<u>1,775,634</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 3)	3,001,469	2,114,094
Less: Restricted portion of cash and short term investments (Note 3)	<u>(1,030,622)</u>	<u>(338,460)</u>
	\$ <u>1,970,847</u>	\$ <u>1,775,634</u>

TOWN OF BASHAW

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE - BEGINNING OF YEAR	\$ 1,738,580	\$ 499,912	\$ 10,064,764	\$ 12,303,256	\$ 12,358,520
Excess (deficiency) of revenues over expenses	(99,807)	-	-	(99,807)	(55,264)
Funds designated for future use	(7,689)	7,689	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(126,331)	-	126,331	-	-
Annual amortization expense	372,960	-	(372,960)	-	-
Change in accumulated surplus	139,133	7,689	(246,629)	(99,807)	(55,264)
BALANCE - END OF YEAR	\$ 1,877,713	\$ 507,601	\$ 9,818,135	\$ 12,203,449	\$ 12,303,256

TOWN OF BASHAW

SCHEDULE 2 - SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
COST:								
BALANCE - BEGINNING OF YEAR	\$ 200,267	\$ 43,766	\$ 4,085,851	\$ 11,929,778	\$ 851,936	\$ 199,645	\$ 17,311,243	\$ 17,263,086
Acquisition of tangible capital assets	-	-	10,320	101,437	14,574	-	126,331	48,157
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE - END OF YEAR	<u>200,267</u>	<u>43,766</u>	<u>4,096,171</u>	<u>12,031,215</u>	<u>866,510</u>	<u>199,645</u>	<u>17,437,574</u>	<u>17,311,243</u>
ACCUMULATED AMORTIZATION:								
BALANCE - BEGINNING OF YEAR	-	15,458	843,745	5,815,330	451,926	120,020	7,246,479	6,838,379
Annual amortization	-	2,919	81,341	234,301	45,803	8,596	372,960	408,100
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
BALANCE - END OF YEAR	<u>-</u>	<u>18,377</u>	<u>925,086</u>	<u>6,049,631</u>	<u>497,729</u>	<u>128,616</u>	<u>7,619,439</u>	<u>7,246,479</u>
NET BOOK VALUE OF								
TANGIBLE CAPITAL ASSETS	<u>\$ 200,267</u>	<u>\$ 25,389</u>	<u>\$ 3,171,085</u>	<u>\$ 5,981,584</u>	<u>\$ 368,781</u>	<u>\$ 71,029</u>	<u>\$ 9,818,135</u>	<u>\$ 10,064,764</u>
2016 NET BOOK VALUE OF								
TANGIBLE CAPITAL ASSETS	<u>\$ 200,267</u>	<u>\$ 28,308</u>	<u>\$ 3,242,106</u>	<u>\$ 6,114,448</u>	<u>\$ 400,010</u>	<u>\$ 79,625</u>	<u>\$ 10,064,764</u>	

TOWN OF BASHAW

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	\$ 855,733	\$ 852,401	\$ 835,480
Linear property taxes	25,669	25,667	27,163
Government grants in lieu of property taxes	<u>27,466</u>	<u>30,412</u>	<u>37,668</u>
	<u>908,868</u>	<u>908,480</u>	<u>900,311</u>
REQUISITIONS			
Alberta School Foundation Fund	197,168	197,168	200,516
Camrose Seniors' Foundation	<u>6,508</u>	<u>6,507</u>	<u>9,845</u>
	<u>203,676</u>	<u>203,675</u>	<u>210,361</u>
NET MUNICIPAL TAXES	\$ <u>705,192</u>	\$ <u>704,805</u>	\$ <u>689,950</u>

TOWN OF BASHAW

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING			
Provincial government	\$ 24,554	\$ 77,042	\$ 81,766
Local government	89,759	91,652	85,235
Individuals and organizations	<u>-</u>	<u>3,000</u>	<u>4,800</u>
	<u>114,313</u>	<u>171,694</u>	<u>171,801</u>
TRANSFERS FOR CAPITAL			
Federal government	11,895	11,895	-
Provincial government	<u>95,731</u>	<u>95,731</u>	<u>13,681</u>
	<u>107,626</u>	<u>107,626</u>	<u>13,681</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>221,939</u>	\$ <u>279,320</u>	\$ <u>185,482</u>

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (Unaudited)	2016	2015
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 558,440	\$ 572,671	\$ 557,114
Contracted and general services	444,276	450,081	389,859
Materials, goods, supplies and utilities	345,770	310,307	302,036
Transfers to individuals, organizations and boards	117,977	116,648	113,885
Amortization of tangible capital assets (Note 20)	-	372,960	408,100
Other expenditures	<u>5,650</u>	<u>12,832</u>	<u>10,529</u>
	\$ <u>1,472,113</u>	\$ <u>1,835,499</u>	\$ <u>1,781,523</u>

TOWN OF BASHAW

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Government	Protective Services	Transportation Services	Environmental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 704,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 704,805
Government transfers	18,123	45,367	11,895	89,542	54,187	-	60,206	279,320
Sales of goods and user fees	2,016	54,211	-	427,905	7,083	45	66,342	557,602
Investment income	16,324	-	-	-	-	-	-	16,324
Other revenues	111,670	40,184	2,688	7,859	-	4,469	10,771	177,641
	<u>852,938</u>	<u>139,762</u>	<u>14,583</u>	<u>525,306</u>	<u>61,270</u>	<u>4,514</u>	<u>137,319</u>	<u>1,735,692</u>
EXPENSES								
Contracted and general services	98,548	62,768	27,680	157,844	-	11,427	91,814	450,081
Salaries, wages and benefits	235,653	41,122	122,325	78,568	-	519	94,484	572,671
Materials, goods, supplies and utilities	13,713	27,464	146,005	57,466	-	3,240	62,419	310,307
Transfers - individuals, organizations, boards	7,395	-	-	-	85,326	-	23,927	116,648
Other expenditures	12,497	-	-	335	-	-	-	12,832
	<u>367,806</u>	<u>131,354</u>	<u>296,010</u>	<u>294,213</u>	<u>85,326</u>	<u>15,186</u>	<u>272,644</u>	<u>1,462,539</u>
NET REVENUE - BEFORE AMORTIZATION	<u>485,132</u>	<u>8,408</u>	<u>(281,427)</u>	<u>231,093</u>	<u>(24,056)</u>	<u>(10,672)</u>	<u>(135,325)</u>	<u>273,153</u>
Amortization of tangible capital assets	<u>(15,592)</u>	<u>(5,810)</u>	<u>(169,423)</u>	<u>(102,544)</u>	<u>-</u>	<u>(894)</u>	<u>(78,697)</u>	<u>(372,960)</u>
NET REVENUE	<u>\$ 469,540</u>	<u>\$ 2,598</u>	<u>\$ (450,850)</u>	<u>\$ 128,549</u>	<u>\$ (24,056)</u>	<u>\$ (11,566)</u>	<u>\$ (214,022)</u>	<u>\$ (99,807)</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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.

TOWN OF BASHAW
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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.

(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:

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Non-Financial Assets - Continued

(i) Tangible Capital Assets - Continued

	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 1201 - Financial Statement Presentation

This revised standard is effective in 2019, when sections PS 2601 and PS 3450 are adopted.

(b) Section PS 2601 - Foreign Currency Translation

This section establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statement and is effective for fiscal years beginning on or after April 1, 2019.

(c) 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 2019 fiscal year.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

2. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED - Continued

(d) 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 fiscal years beginning on or after April 1, 2019.

3. CASH AND SHORT TERM INVESTMENTS

	2016	2015
Cash	\$ 2,126,614	\$ 1,242,109
Short term investments	<u>874,855</u>	<u>871,985</u>
	<u>\$ 3,001,469</u>	<u>\$ 2,114,094</u>

Short term investments are valued at cost and are deposits with original maturities of five months or less. The interest rates are at 1.40% and 1.65%.

Council has designated funds of \$507,601 (2015 - \$499,912) included in the above amounts for restricted surplus.

Included in the above are the restricted amounts of \$949,905 (2015 - \$287,551) of deferred grant funding, \$65,279 (2015 - \$35,533) of donations and \$15,438 (2015 - \$15,376) of tax recovery funds.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Current taxes and grants in place of taxes	\$ 80,461	\$ 68,930
Arrears taxes and grants in place of taxes	<u>15,480</u>	<u>34,433</u>
	<u>\$ 95,941</u>	<u>\$ 103,363</u>

5. TRADE AND OTHER RECEIVABLES

Grants	\$ -	\$ 493,032
Utilities	53,607	57,627
GST	11,537	-
Other	<u>42,150</u>	<u>18,919</u>
	<u>\$ 107,294</u>	<u>\$ 569,578</u>

6. LONG-TERM INVESTMENTS

	2016	2015
Highway 12/21 Regional Water Services Commission	\$ 286,780	\$ 286,780
A.M.F.C. shares, at cost	<u>10</u>	<u>10</u>
	<u>\$ 286,790</u>	<u>\$ 286,790</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

7. TRUST FUNDS

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

Tax Sale Surplus	2016	2015
Balance – beginning of year	\$ 15,144	\$ 15,144
Additions during the year	<u>-</u>	<u>-</u>
Balance – end of year	<u>\$ 15,144</u>	<u>\$ 15,144</u>

This amount is included in accounts payable.

8. DEFERRED REVENUE

	2016	2015
Grants		
Basic Municipal Transportation	\$ 93,802	\$ 93,426
Federal Gas Tax	139,676	101,123
Municipal Sustainability Initiative	716,427	526,267
Donations and prepayments received	<u>65,279</u>	<u>36,528</u>
	<u>\$ 1,015,184</u>	<u>\$ 757,344</u>

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

	2016	2015
Payable to Highway 12/21 Regional Water Services Commission, due \$7,189 semi-annually including interest at 5.24%, maturing Dec. 2033	\$ 160,493	\$ 166,234
Payable to Highway 12/21 Regional Water Services Commission, due \$1,387 semi-annually including interest at 4.59% maturing Dec 2034	33,740	34,925
Payable to Highway 12/21 Regional Water Services Commission, due \$1,326 semi-annually including interest at 2.94%, maturing June 2040	<u>44,743</u>	<u>46,048</u>
	<u>\$ 238,976</u>	<u>\$ 247,207</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2021	10,433	9,370	19,803
Thereafter	<u>191,429</u>	<u>66,208</u>	<u>257,637</u>
	<u>\$ 238,975</u>	<u>\$ 117,675</u>	<u>\$ 356,650</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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:

	2016	2015
Unrestricted surplus (deficit)	\$ 1,877,713	\$ 1,738,580
Equity in tangible capital assets (Note 13)	9,818,135	10,064,764
Restricted surplus (Note 12)	<u>507,601</u>	<u>499,912</u>
	<u>\$ 12,203,449</u>	<u>\$ 12,303,256</u>

12. RESTRICTED SURPLUS

	2015	Increases	Decreases	2016
Restricted for Operating:				
Administration	\$ 5,857	\$ -	\$ -	\$ 5,857
Arena renovation	2,593	-	-	2,593
Beautification	8,650	-	-	8,650
Cemetery	6,857	-	-	6,857
Centennial celebration	-	-	-	-
Community Centre renovation	5,467	-	-	5,467
Fire	-	7,689	-	7,689
Medical clinic	1,266	-	-	1,266
Seniors' transportation	<u>4,103</u>	<u>-</u>	<u>-</u>	<u>4,103</u>
	<u>34,793</u>	<u>7,689</u>	<u>-</u>	<u>42,482</u>
Restricted for Capital:				
Administration	2,620	-	-	2,620
Airport	4,047	-	-	4,047
Cemetery	5,567	-	-	5,567
Culture	23,443	-	-	23,443
Emergency services	27,466	-	-	27,466
Equipment replacement	132,153	-	-	132,153
Pathway system	22,500	-	-	22,500
Roads	59,331	-	-	59,331
Subdivision, land and development	130,060	-	-	130,060
Tourism	2,000	-	-	2,000
Water infrastructure	40,602	-	-	40,602
Wastewater infrastructure	<u>15,330</u>	<u>-</u>	<u>-</u>	<u>15,330</u>
	<u>465,119</u>	<u>-</u>	<u>-</u>	<u>465,119</u>
Total	<u>\$ 499,912</u>	<u>\$ 7,689</u>	<u>\$ -</u>	<u>\$ 507,601</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (Schedule 2)	\$ 17,437,574	\$ 17,311,243
Accumulated amortization (Schedule 2)	<u>(7,619,439)</u>	<u>(7,246,479)</u>
	<u>\$ 9,818,135</u>	<u>\$ 10,064,764</u>

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:

	<u>2016</u>			2015
	Salary(1)	Benefits Allowances(2)	Total	Total
Penny Shantz, Mayor	\$ 5,100	\$ 276	\$ 5,376	\$ 5,370
Bryan Gust, councillor	3,600	227	3,827	3,820
Darren Pearson, councillor	3,600	227	3,827	3,820
Rosella Peterman, councillor	3,600	60	3,660	3,752
Lynn Schultz, councillor	3,600	143	3,743	3,820
Linda Hannah CAO	-	-	-	76,727
Tony Goode, Interim CAO	-	-	-	36,829
Theresa Fuller, CAO	\$ 95,623	\$ 20,953	\$ 116,576	\$ 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 244,621 people and about 426 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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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 2016 were \$40,343 (2015 - \$33,451). Total current and past service contributions by the employees of the Town of Bashaw to the Local Authorities Pension Plan in 2016 were \$37,064 (2015 - \$30,719).

At December 31, 2015, the Plan disclosed an actuarial deficiency of \$923 million.

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:

	2016	2015
Total debt limit	\$ 2,442,102	\$ 2,568,864
Total debt	-	-
Total debt limit available	<u>2,442,102</u>	<u>2,568,864</u>
Debt service limit	407,017	428,144
Debt service	-	-
Debt service limit available	<u>\$ 407,017</u>	<u>\$ 428,144</u>

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

17. FINANCIAL INSTRUMENTS

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

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

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

TOWN OF BASHAW
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 the town had short-term credit card lines of credit aggregating \$10,000 (2015 - \$10,000) of which \$NIL (2015 - \$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.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 \$234,757 (2015 - \$250,000) 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:

	2016	2015
Administration	\$ 15,592	\$ 12,226
Fire, ambulance and bylaws enforcement	5,810	5,810
Roads, streets, walk, lighting	168,772	202,246
Water and wastewater	102,544	107,091
Recreation and parks	8,157	8,642
Culture	70,540	70,540
Other	1,545	1,545
	<u>\$ 372,960</u>	<u>\$ 408,100</u>

21. SEGMENTED DISCLOSURE

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

Refer to the Schedule 6 – Segmented Disclosure.

TOWN OF BASHAW
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2016 are for information purposes only and have not been audited.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.

24. COMPARATIVE FIGURES

Certain 2015 comparative figures have been reclassified in order to conform with the financial statement presentation adopted for 2016.