

Financial Statements of

TOWN OF BASSANO

Year ended December 31, 2015

Management's Responsibility for Financial Reporting

The Town of Bassano's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Town's financial position as at December 31, 2015 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintained a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Town's Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants. Their report to the Members of Council of the Town of Bassano, stating the scope of their examination and opinion on the financial statements, follows.

Sabine Nasse
Chief Administrative Officer



KPMG LLP
500 Lethbridge Centre Tower
400 - 4th Avenue South
Lethbridge AB T1J 4E1
Canada

Telephone (403) 380-5700
Fax (403) 380-5760
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Mayor and Councillors of Town of Bassano

We have audited the accompanying financial statements of the Town of Bassano, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising 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 our 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, we consider 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 Bassano as at December 31, 2015, and its results of financial activities, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

March 14, 2016
Lethbridge, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

TOWN OF BASSANO

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial Assets:		
Cash and short-term investments	\$ 2,323,445	\$ 1,805,525
Taxes and grants in place of taxes (note 3)	123,117	171,800
Land held for resale	404,146	159,225
Investments and marketable securities (note 4)	911,454	830,747
Trade and other receivables	414,129	502,653
Restricted Cash (note 5)	57,798	940,081
	<u>4,234,089</u>	<u>4,410,031</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	442,325	188,980
Deposit liabilities	125	3,125
Deferred revenue (note 6)	143,609	1,081,047
Long-term debt (note 7)	884,207	963,265
	<u>1,470,266</u>	<u>2,236,417</u>
Net financial assets	2,763,823	2,173,614
Non-Financial Assets:		
Tangible capital assets (Schedule 6)	11,307,798	10,479,792
Commitments (note 12)		
Contingent liabilities (note 14)		
Accumulated surplus (note 8 and Schedule 3)	\$ 14,071,621	\$ 12,653,406

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Changes in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget	2015	2014
Excess of revenue over expenses	\$ 577,202	\$ 1,418,215	\$ 634,562
Acquisition of tangible capital assets	-	(1,293,316)	(214,197)
Amortization of tangible capital assets	-	433,164	409,587
Loss (gain) on sale of tangible capital assets	-	6,758	(19,218)
Proceeds on sale on tangible capital assets	-	25,388	21,000
Change in net financial assets	577,202	590,209	831,734
Net financial assets, beginning of year	2,173,614	2,173,614	1,341,880
Net financial assets, end of year	\$ 2,750,816	\$ 2,763,823	\$ 2,173,614

See accompanying notes to financial statements.

TOWN OF BASSANO

Notes to Financial Statements

Year ended December 31, 2015

1. Significant accounting policies:

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

(a) Reporting entity:

The financial statements reflect the assets, liabilities, revenue and expenses, changes in accumulated surplus and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

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

(b) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(g) Land held for resale:

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

(h) Contaminated sites liability:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring. No contaminated sites have been identified.

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

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

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

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(k) Use of estimates:

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

2. Recent accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2016, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

(a) PS 1201- Financial Statement Presentation:

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

(b) PS 3450- Financial Instruments:

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2015

4. Investments and marketable securities:

	2015		2014	
	Cost	Market value	Cost	Market value
At amortized cost:				
Government and government guaranteed bonds	\$ 907,148	\$ 952,384	\$ 826,614	\$ 870,145
At cost:				
Alberta Municipal Financing Corporation	10	-	10	-
Newell Regional Services Corporation	10	-	10	-
Connection First Credit Union	4,286	-	4,113	-
	\$ 911,454	\$ 952,384	\$ 830,747	\$ 870,145

Government and government guaranteed bonds have effective interest rates of 2.25% to 5.00% and mature between 2017 and 2045.

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

5. Restricted cash:

Restricted cash is made up of funds set aside in the Municipal reserve account. Municipal reserve funds may be used only for the purposes specified in the Municipal Government Act, section 671(4). Accordingly, these amounts are not available for current operations.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Long-term debt:

	2015	2014
Debenture tax supported	\$ 884,207	\$ 963,265
Current portion	(83,597)	(79,058)
	<u>\$ 800,610</u>	<u>\$ 884,207</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2016	\$ 83,597	\$ 48,898	\$ 132,495
2017	88,398	44,097	132,495
2018	93,474	39,021	132,495
2019	98,841	33,654	132,495
2020	104,517	27,978	132,495
Thereafter	415,380	48,350	463,730
	<u>\$ 884,207</u>	<u>\$ 241,998</u>	<u>\$ 1,126,205</u>

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

Interest payments on long-term debt amounted to \$53,253 (2014 - \$57,556).

The Town has a revolving loan with Chinook Financial, a division of Connect First Credit Union. The revolving loan is due on demand, bears interest at 3% and has available funds up to \$300,000. As at December 31, 2015, the revolving loan was not drawn upon.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2015

9. Debt limits:

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

	2015	2014
Total debt limit	\$ 4,548,861	\$ 4,506,447
Total debt	(884,207)	(963,265)
Amount of debt limit unused	3,664,654	3,543,182
Debt servicing limit	758,144	751,075
Debt servicing	(132,495)	(132,321)
Amount of debt servicing unused	\$ 625,649	\$ 618,754

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) and the debt service is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

10. Segmented disclosure:

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

(a) General government:

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

(b) Protective services:

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

(c) Transportation services:

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2015

11. Salary and benefits disclosure:

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

	Salaries (i)	Benefits and Allowances (ii)	Total 2015	Total 2014
Barlow, Doug	\$ 2,900	\$ 59	\$ 2,959	\$ 3,562
Beddows, Ric	3,400	59	3,459	4,962
Doherty, Richard	2,900	59	2,959	3,362
Jones, Kevin	5,400	59	5,459	5,762
MacWilliam, Lynn	4,750	59	4,809	8,612
Peterson, Jackie	5,300	59	5,359	2,926
Rose, Thomas (Mayor)	5,430	62	5,492	6,962
	30,080	416	30,496	36,148
Chief Administrative Officer	\$ 87,796	\$ 2,039	\$ 89,835	\$ 89,094

- i) Salary includes regular base pay. For Councilors, salary includes a monthly allowance to attend special events and per diem reimbursement for authorized meetings attended.
- ii) For non-elected officials, employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance and long, short-term plans as well as travel allowances.

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2015

14. Contingent liabilities:

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

The Town is the defendant in a lawsuit related to water damages which possibly may exceed \$1,000,000 plus unspecified damages, interest and costs. At present, the amount or outcome is not determinable. The amount of any uninsured loss arising from a future settlement, if any, would be accounted for as a current transaction in the year of the settlement.

15. Budget:

The budgeted information presented in these financial statements is based upon the 2015 operating and capital budgets approved by Council on January 26, 2015. Amortization was not contemplated in development of the budget and, as such, has not been included.

16. Funds held on behalf of others:

At December 31, 2015, the Town held funds on behalf of others for a scholarships trust amounting to approximately \$4,560 (2014 - \$13,767) which are not included in these financial statements.

17. Approval of financial statements:

Council and Management approved these financial statements.

TOWN OF BASSANO

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2015, with comparative information for 2014

	General government	Protective services	Transportation services	Planning and development	Recreation and culture	Environmental services	Public health	Total 2015	Total 2014
Revenue:									
Net municipal taxes	1,237,879	-	-	-	-	-	-	1,237,879	1,189,223
Sales and user charges	20,455	153,487	8,657	-	64,682	638,247	20,980	906,508	985,016
Government transfers	151,988	15,250	684,739	52,765	115,344	388,431	89,930	1,498,447	925,223
Penalties and cost of taxes	44,746	-	-	-	-	-	-	44,746	38,143
Franchise fees and sale of goods	206,172	-	-	-	-	-	-	206,172	196,795
Licenses and permits	23,736	-	-	-	-	-	-	23,736	20,307
Rentals	63,764	-	-	-	-	-	-	63,764	67,162
Interest income	40,291	-	-	-	-	-	-	40,291	41,056
Gain on sale of tangible capital assets	-	-	-	-	-	-	-	-	19,218
Other revenues	57,830	-	-	-	-	-	-	57,830	27,610
	1,846,861	168,737	693,396	52,765	180,026	1,026,678	110,910	4,079,373	3,509,753
Expenditures:									
Salaries, wages and benefits	220,690	40,835	161,629	-	139,496	68,000	14,453	645,103	682,934
Transfers to local boards and agencies	-	621	-	-	17,802	64,137	-	82,560	66,813
Contracted and general services	320,365	115,687	205,531	25,676	110,042	166,455	124,251	1,068,007	1,366,058
Materials, goods and utilities	37,861	14,955	32,256	-	83,847	180,359	23,035	372,313	292,243
Interest on long-term debt	-	-	-	-	-	53,253	-	53,253	57,556
Loss on sale of tangible capital assets	6,758	-	-	-	-	-	-	6,758	-
Amortization	17,983	12,560	153,636	-	90,159	158,222	604	433,164	409,587
	603,657	184,658	553,052	25,676	441,346	690,426	162,343	2,661,158	2,875,191
Excess of revenue over expenditures	1,243,204	(15,921)	140,344	27,089	(261,320)	336,252	(51,433)	1,418,215	634,562

TOWN OF BASSANO

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2015, with comparative information for 2014

	Budget	2015	2014
General taxation:			
Real property tax	\$ 1,541,821	\$ 1,541,678	\$ 1,485,670
Linear property tax	24,321	24,311	21,383
Government grants in place of property taxes	13,054	12,539	13,313
	1,579,196	1,578,528	1,520,366
Requisitions:			
Alberta School Foundation Fund	303,733	303,733	296,460
Christ the Redeemer - RCSSD	12,596	12,596	13,313
Seniors Lodges	24,320	24,320	21,370
	340,649	340,649	331,143
Net municipal property tax	\$ 1,238,547	\$ 1,237,879	\$ 1,189,223

TOWN OF BASSANO

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2015, with comparative information for 2014

	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	2015	2014
Cost:							
Balance, beginning of year	\$ 153,301	\$ 5,474,517	\$ 14,147,413	\$ 647,873	\$ 434,459	\$ 20,857,563	\$ 20,670,166
Acquisition of tangible capital assets	-	-	1,252,534	40,782	-	1,293,316	214,197
Disposal of tangible capital assets	-	(10,000)	-	(41,106)	-	(51,106)	(26,800)
Balance, end of year	153,301	5,464,517	15,399,947	647,549	434,459	22,099,773	20,357,563
Accumulated amortization:							
Balance, beginning of year	-	1,709,557	8,202,215	259,666	206,333	10,377,771	9,993,202
Accumulated amortization on disposals	-	(8,000)	-	(10,960)	-	(18,960)	(25,018)
Amortization	-	109,290	274,823	31,339	17,712	433,164	409,587
Balance, end of year	-	1,810,847	8,477,038	280,045	224,045	10,791,975	10,377,771
Net book value of tangible capital assets	153,301	3,653,670	6,922,909	367,504	210,414	11,307,798	10,479,792
2014 Net book value of tangible capital assets	\$ 153,301	\$ 3,764,960	\$ 5,945,198	\$ 388,207	\$ 228,126	\$ 10,479,792	