

Financial Statements of

TOWN OF BASSANO

And Independent Auditors' Report thereon

Year ended December 31, 2020

Management's Responsibility for 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, 2020 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. The financial statements 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 maintains 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 His Worship the Mayor and Members of the Council of the Town of Bassano, stating the scope of their examination and opinion on the financial statements, follows.



Ms. Amanda Davis
Chief Administrative Officer
March 8, 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- notes and schedules to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2020, and its results of operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Lethbridge, Canada

March 8, 2021

TOWN OF BASSANO

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets:		
Cash and short-term investments	\$ 779,586	\$ 987,890
Taxes and grants in place of taxes (note 3)	226,958	200,957
Land held for resale	69,526	70,748
Investments and marketable securities (note 4)	866,885	843,543
Trade and other receivables	503,258	260,760
Restricted cash (note 5)	7,576,343	5,271,287
	<u>10,022,556</u>	<u>7,635,185</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	123,829	86,436
Deposit liabilities	50,125	45,125
Deferred revenue (note 6)	2,623,061	1,024,946
Long-term debt (note 7)	415,380	519,897
	<u>3,212,395</u>	<u>1,676,404</u>
Net financial assets	6,810,161	5,958,781
Non-Financial Assets:		
Prepaid expenses	16,486	21,461
Tangible capital assets (Schedule 6)	10,499,109	10,861,969
Land inventory	73,478	73,478
	<u>10,589,073</u>	<u>10,956,908</u>
Commitments (note 12)		
Contingent liabilities (note 14)		
Accumulated surplus (note 8 and Schedule 3)	\$ 17,399,234	\$ 16,915,689

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 1,349,754	\$ 1,349,928	\$ 1,349,425
Sales and user charges	1,006,987	912,717	981,648
Government transfers (Schedule 1)	119,336	250,986	137,415
Franchise fees and sale of goods	266,555	257,371	263,815
Interest income	19,000	89,960	120,782
Penalties and cost of taxes	5,000	39,629	53,192
Licenses and permits	12,050	9,887	25,577
Rentals	19,321	25,380	36,815
Other	5,350	7,751	4,697
Gain on sale of tangible capital assets	-	-	3,500
Total revenue	2,803,353	2,943,609	2,976,866
Expenses (Schedule 5):			
Legislative	50,300	35,178	57,909
General administration	475,457	489,687	516,602
Protective Services	143,480	135,401	184,276
Roads, streets, walks and lighting	423,074	581,181	493,088
Water supply and distribution	424,118	429,588	552,450
Wastewater treatment and disposal	34,000	80,795	63,297
Waste management	128,000	123,908	108,787
Family and community support	107,337	104,476	124,253
Subdivision land development	1,500	(1,471)	25,614
Parks and recreation	331,078	303,853	401,733
Culture	75,190	73,661	76,948
Other	236,330	128,300	63,088
Total expenses	2,429,864	2,484,557	2,668,045
Excess of revenue over expenses from operations	373,489	459,052	308,821
Government transfers for capital (Schedule 1)	-	24,493	129,145
Excess of revenues over expenses	373,489	483,545	437,966
Accumulated surplus, beginning of year	16,915,689	16,915,689	16,477,723
Accumulated surplus, end of year	\$ 17,289,178	\$ 17,399,234	\$ 16,915,689

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Excess of revenue over expenses	\$ 373,489	\$ 483,545	\$ 437,966
Acquisition of tangible capital assets	-	(72,714)	(166,308)
Amortization of tangible capital assets	-	435,574	433,784
Gain on sale of tangible capital assets	-	-	(3,500)
Proceeds on sale on tangible capital assets	-	-	3,500
Net change in prepaid assets	-	4,975	(8,586)
Net change in land inventory	-	-	(73,478)
Change in net financial assets	373,489	851,380	623,378
Net financial assets, beginning of year	5,958,781	5,958,781	5,335,403
Net financial assets, end of year	\$ 6,332,270	\$ 6,810,161	\$ 5,958,781

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 483,545	\$ 437,966
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	435,574	433,784
Gain on sale of tangible capital assets	-	(3,500)
	919,119	868,250
Changes in non-cash assets and liabilities:		
Taxes and grants in place of taxes	(26,001)	53,385
Prepaid expenses	4,975	(8,586)
Trade and other receivables	(242,498)	38,539
Accounts payable and accrued liabilities	37,393	-
Deferred revenue	1,598,115	(50,592)
Deposit liabilities	5,000	45,000
Land held for resale	1,222	238,477
Land inventory	-	(73,478)
	2,297,325	1,110,995
Capital activities:		
Acquisition of tangible capital assets	(72,714)	(166,308)
Proceeds on disposal of tangible capital assets	-	3,500
	(72,714)	(162,808)
Investing activities:		
Increase in restricted cash	(2,305,056)	(2,232,273)
Decrease (increase) in investments and marketable securities	(23,342)	143,828
	(2,328,398)	(2,088,445)
Financing activities:		
Payments on long-term debt	(104,517)	(98,841)
Decrease in cash and short-term investments	(208,304)	(1,239,099)
Cash and short-term investments, beginning of year	987,890	2,294,872
Cash and short-term investments, end of year	\$ 779,586	\$ 1,055,773

See accompanying notes to financial statements.

TOWN OF BASSANO

Notes to Financial Statements

Year ended December 31, 2020

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:

On March 11, 2020, the Coronavirus COVID-19 (“COVID-19”) outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures include implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses and physical distancing, have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Accordingly, economic uncertainties have arisen which could have a negative impact on the Town’s revenue streams and results of operations.

The Town has implemented the following in relation to their pandemic response:

- The Town Office was closed to the public for extended periods of time between March 13, 2020 to December 31, 2020. Pending provincial health measures, the office was reopened by appointment only.
- Restricted access to Town facilities from March 31, 2020 to December 31, 2020.
- Mandatory work from home policy for Town employees, where possible.
- The Town reduced the penalty charged on late payment of taxes for current taxes unpaid as of July 31, 2020 to 4% from 18% in 2019. Arrears and unpaid taxes at December 31, 2020 remained at the 18% penalty.
- The Town waived utility penalties for 6 months from April 1, 2020 to October 1, 2020.
- The Town reduced Council honorariums by 25% for the second, third and fourth quarters of the 2020 fiscal year.

COVID-19 relief was provided to the Town in the form of two grants. The Municipal Operating Support Transfer (“MOST”) grant was received from the Province of Alberta in the amount of \$127,118 and a second grant in the amount of \$30,000 was received from Family and Community Support Services Association of Alberta (“FCSSAA”).

The ongoing challenging economic climate presents uncertainty over future cash flows and may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(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, 2020

1. Significant accounting policies (continued):

(c) Cash and temporary investments:

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

(d) Investments:

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

(e) Revenue recognition:

Net municipal property taxes are recognized as revenue as levied.

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

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

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

All other income is recognized as earned.

(f) Government transfers:

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(g) Land held for resale:

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

(h) Contaminated sites liability:

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

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

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

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

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(j) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations.

i. Tangible capital assets:

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

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

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

ii. Contribution of tangible capital assets:

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

iii. Inventories:

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

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

iv. Asset impairment:

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

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. Significant areas subject to such estimates and assumptions include the estimated useful life of tangible capital assets and the valuation of trade and other receivables, taxes and grants in place of taxes, land held for resale and land inventory. Actual results could differ from those estimates.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

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 2021, 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, 2022.

(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, 2022.

(c) PS 2601 - Foreign Currency Translation:

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency and non-monetary items valued at fair value, denominated in a foreign currency to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2022.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

2. Recent accounting pronouncements (continued):

(d) PS 3041 - Portfolio Investments:

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of these types of investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2022.

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

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

(e) PS 3280 - Asset retirement obligations:

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard is effective for fiscal years beginning on or after April 1, 2022.

(f) PS 3400 - Revenue:

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This standard is effective for fiscal years beginning on or after April 1, 2022.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Taxes and grants in place of taxes:

	2020		2019	
Taxes and grants of taxes:				
Current taxes and grants in place of taxes	\$	149,147	\$	120,009
Arrears taxes		87,811		90,948
		236,958		210,957
Provision for doubtful accounts		(10,000)		(10,000)
	\$	226,958	\$	200,957

4. Investments and marketable securities:

	2020		2019	
	Cost	Market value	Cost	Market value
At amortized cost:				
Government and government guaranteed bonds	\$ 861,669	\$ 951,180	\$ 838,429	\$ 876,251
At cost:				
Alberta Municipal Financing Corporation	-	-	10	10
Newell Regional Services Corporation	10	10	10	10
Connection First Credit Union	5,206	5,206	5,094	5,094
	\$ 866,885	\$ 956,396	\$ 843,543	\$ 881,365

Government and government guaranteed bonds have effective interest rates of 1.75% to 4.70% (2019 - 1.97% to 4.70%) and mature between 2022 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 urban and rural municipality investors.

In 2020, all shares of Alberta Municipal Financing Corporation were cancelled for the issued value of \$10 per share.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

5. Restricted cash:

Restricted cash is comprised of cash on deposit as follows:

	2020	2019
Deferred revenue	\$ 2,623,061	\$ 1,024,946
Municipal Sustainability Initiative 2020 Allocation	(328,430)	-
Restricted grant contributions unspent	2,294,631	1,024,946
Reserves ⁽ⁱ⁾	5,281,712	4,246,341
	<u>\$ 7,576,343</u>	<u>\$ 5,271,287</u>

⁽ⁱ⁾ Reserves:

	2020	2019
Reserves (note 8)	\$ 5,725,466	\$ 5,159,543
Unfunded portion	(443,754)	(913,202)
	<u>\$ 5,281,712</u>	<u>\$ 4,246,341</u>

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Deferred revenue:

	2020	2019
Deferred revenue, beginning of year	\$ 1,024,946	\$ 1,075,538
Grants received/receivable in the year:		
Operating	282,055	195,858
Capital	1,591,539	20,110
	1,873,594	215,968
Amounts recognized in revenue during the year:		
Operating	(166,604)	(137,415)
Capital	(108,875)	(129,145)
	(275,479)	(266,560)
Deferred revenue, end of year	\$ 2,623,061	\$ 1,024,946
Deferred revenue is comprised of:		
Operating:		
Municipal Sustainability Initiative	\$ 122,277	\$ 77,960
Alberta Community Partnership - Local Land Use Planning Component	9	30,318
Municipal Operating Support Transfer	78,000	-
Family and Community Support Services (FCSS) and Family and Community Support Services Association of Alberta (FCSSAA)	23,443	-
	223,729	108,278
Capital:		
Municipal Sustainability Initiative	1,656,648	273,832
Federal Gas Tax Fund	124,161	4,414
Alberta Municipal Water/Wastewater Partnership	618,523	638,422
	2,399,332	916,668
	\$ 2,623,061	\$ 1,024,946

A funding allocation for the 2020 year aggregating \$68,985 has been made available to the Town under the Federal Gas Tax Fund ("FGTF"). This allocation is only receivable from the funding source upon approval of project submissions made by the Town. As at December 31, 2020, the Town did not have any approved projects submitted towards this allocation. As a result this allocation has not been included in these financial statements.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Long-term debt:

	2020	2019
Debenture tax supported	\$ 415,380	\$ 519,897
Current portion	(110,518)	(104,517)
	\$ 304,862	\$ 415,380

Principal and interest repayments are as follows:

	Principal	Interest	Total
2021	\$ 110,518	\$ 21,977	\$ 132,495
2022	116,864	15,631	132,495
2023	123,575	8,920	132,495
2024	64,423	1,822	66,245
	\$ 415,380	\$ 48,350	\$ 463,730

Debenture debt is repayable to Treasury Board and Finance 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 \$29,978 (2019 - \$33,653).

The Town has an authorized overdraft available up to a maximum of \$250,000 bearing interest at prime rate. Prime rate at December 31, 2020 was 2.45% (2019 - 3.95%). As at December 31, 2020, this was not drawn upon.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Accumulated surplus

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

	2020	2019
Unrestricted surplus	\$ 1,590,039	\$ 1,414,074
Restricted surplus:		
Fire Committee	45,554	79,273
Sewage Treatment Upgrading	1,239,046	1,139,344
FCSS	10,072	9,998
Municipal Service	485,685	458,405
Capital Plan	2,769,616	2,423,906
Land and Development	767,409	721,183
Recreation and Culture	388,809	327,434
Recreation Funding Committee	19,275	-
	5,725,466	5,159,543
Equity in tangible capital assets	10,083,729	10,342,072
	\$ 17,399,234	\$ 16,915,689

	2020	2019
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$ 23,530,924	\$ 23,458,210
Accumulated amortization (Schedule 6)	(13,031,815)	(12,596,241)
Loans related to capital assets	(415,380)	(519,897)
	\$ 10,083,729	\$ 10,342,072

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Debt limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 171/2015 for the Town be disclosed as follows:

	2020	2019
Total debt limit	\$ 4,415,414	\$ 4,465,299
Total debt	(415,380)	(519,897)
Amount of debt limit unused	4,000,034	3,945,402
Debt servicing limit	735,902	744,217
Debt servicing	(132,495)	(132,495)
Amount of debt servicing unused	\$ 603,407	\$ 611,722

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 171/2015) and the debt service is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

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.

(d) Planning and development:

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

(e) Recreation and culture:

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

(f) Environmental services:

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

(g) Public health:

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

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

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

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 2020	Total 2019
Wickson, Ron (Mayor)	\$ 11,300	\$ 1,922	\$ 13,222	\$ 18,497
Irvin, Morey (Deputy Mayor)	4,300	1,126	5,426	4,112
Rose, Thomas	2,025	957	2,982	6,639
Barlow, Doug	2,950	88	3,038	3,877
Jones, Kevin	2,600	147	2,747	5,027
Seely, Jacqueline	2,050	282	2,332	5,184
Slomp, John	2,750	513	3,263	4,529
MacWilliam, Lynn	-	-	-	2,040
	27,975	5,035	33,010	49,905
Chief Administrative Officer (iii)	-	-	-	-
Town Assessor (iv)	-	-	-	-
Bylaw Enforcement Officer (v)	\$ -	\$ -	\$ -	\$ -

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

11. Salary and benefits disclosure (continued):

- 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.
- iii) The Chief Administrative Officer position has been vacant since August 2018. As a result, the Town entered into an agreement for consulting services with an expiry date of February 1, 2020. The base contract was \$4,320 per week. The contract was then extended to February 1, 2022 at a base contract amount of \$198,720 per year. Actual costs incurred in 2020 were \$202,083 (2019 - \$210,766) which included travel expenses of \$787 and expense reimbursements of \$974. The Town also entered into an agreement for economic development in the amount of \$1,440. In the prior year the Town also entered into an agreement for the completion of the Town's Economic Development Enrichment Strategy in the amount of \$25,000. These contract payments are not reflected in the table above.
- iv) The Town Assessor position is vacant. As a result, the Town entered into an agreement for assessment services with an expiry date of February 28, 2024. The total cost incurred for the year was \$18,684 (2019 - \$18,734). These contract payments are not reflected in the table above.
- v) The Town Bylaw Officer position is vacant. As a result, the Town entered into an agreement for bylaw enforcement services. The agreements is for an indefinite term and will remain in effect until either party provides termination notice to the other. The total cost incurred for the year was \$12,125 (2019 - \$12,000). These contract payments are not reflected in the table above.

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

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

12. Commitments:

i) The Town of Bassano is a member of the Newell Regional Solid Waste Management Authority Ltd. under which five municipalities have entered into an agreement to operate a regional solid waste management operation for the benefit of each municipality. All capital, operating and transportation funding required for the Newell Regional Solid Waste Management Authority Ltd. not provided by the Province of Alberta or any other person shall be provided by the participants on a per capita basis. In 2020 the Town contributed \$51,454 (2019 - \$50,664) and it is estimated that this amount will be payable on an annual basis. Any member may terminate its participation in the Newell Regional Solid Waste Management Authority Ltd. by providing the other members 12 months notice of intention to terminate.

ii) The Town has committed to the completion of a wastewater treatment upgrade. The estimated completion costs of this project totals \$7,020,000. The project is to be funded from various grants as well as a contribution by the Town of \$1,023,550. The breakdown is as follows:

Investing in Canada Infrastructure Program ("ICIP")	\$ 2,723,264
Alberta Municipal Water/Wastewater Partnership ("AMWWP")	2,339,766
Municipal Sustainability Initiative - Capital	933,420
Sewage Treatment Upgrading internal reserve	<u>1,023,550</u>
	\$ 7,020,000

Total costs incurred for the project as at December 31, 2020 were \$423,675 (2019 - \$398,972).

iii) The Town is committed to an operating agreement with Newell Regional Services Corporation ("NRSC") for the provision of Water Systems Operators and Wastewater Operators to manage and perform all regulatory requirements and maintenance of the Water Distribution System and Wastewater Collection System and Treatment Facilities owned by the Town. The current contract term expires on December 31, 2021 but may be terminated at any time by the Town upon 120 days prior written notice to NRSC. In 2020 the Town incurred costs of \$18,684 (2019 - \$16,936) under this agreement.

iv) The Town is committed to an agreement with Randall Strategy Corp. for services related to the Foundation specific fundraising campaign for the FAB Village Square project. This is a commission based contract on Foundation funds raised up to 10 percent of an award amount. Cost incurred in 2020 were \$18,000. The agreement expires on August 31, 2021.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

13. Financial instruments:

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

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

i) Interest rate risk:

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

ii) Credit concentration:

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number of diversity of taxpayers and customers minimizes the credit risk.

iii) Liquidity risk:

Liquidity risk is the risk that the Town will not be able to meet its financial obligations as they become due. The Town manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Liquidity risk may be impacted by the COVID-19 pandemic.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2020

14. Contingent liabilities:

- i) The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
- ii) During the year the Town identified a potential liability related to the existence of hazardous materials in one of their buildings. Upon renovation or demolition of the building, the Town may be required to take appropriate remediation procedures to remove the hazardous materials. An environmental assessment of the property is to occur in 2021. At this time the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. As such no liability has been recorded in the financial statements.

15. Budget:

The budgeted information presented in these financial statements is based upon the 2020 operating and capital budgets approved by Council on May 21, 2020. 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, 2020, the Town held funds on behalf of others for a scholarships trust amounting to approximately \$2,469 (2019 - \$3,218) which is not included in these financial statements.

17. Approval of financial statements:

Council and Management approved these financial statements.

TOWN OF BASSANO

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Transfers for operating:			
Provincial government	\$ 59,000	\$ 180,800	\$ 52,007
Other local governments	60,336	70,186	85,408
	119,336	250,986	137,415
Transfers for capital:			
Provincial government	-	24,493	129,145
Total government transfers	\$ 119,336	\$ 275,479	\$ 266,560

TOWN OF BASSANO

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2020, with comparative information for 2019

	General government	Protective services	Transportation services	Planning and development	Recreation and culture	Environmental services	Public health	Total 2020	Total 2019
Revenue:									
Net municipal taxes	\$ 1,349,928	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,349,928	\$ 1,349,425
Sales and user charges	47,282	59,458	10,912	-	119,810	656,506	18,749	912,717	981,648
Government transfers	57,418	-	84,382	39,000	-	24,493	70,186	275,479	266,560
Penalties and cost of taxes	39,629	-	-	-	-	-	-	39,629	53,192
Franchise fees and sale of goods	257,371	-	-	-	-	-	-	257,371	263,815
Licenses and permits	9,887	-	-	-	-	-	-	9,887	25,577
Rentals	25,380	-	-	-	-	-	-	25,380	36,815
Interest income	89,960	-	-	-	-	-	-	89,960	120,782
Gain on sale of tangible capital assets	-	-	-	-	-	-	-	-	3,500
Other revenues	-	2,070	-	-	-	-	5,681	7,751	4,697
	1,876,855	61,528	95,294	39,000	119,810	680,999	94,616	2,968,102	3,106,011
Expenses:									
Salaries, wages and benefits	143,605	50,998	146,818	-	95,823	62,315	62,364	561,923	622,207
Transfers to local boards and agencies	-	-	-	-	62,352	61,454	-	123,806	70,739
Contracted and general services	322,959	55,730	263,937	103,505	105,090	109,948	39,338	1,000,507	1,070,152
Materials, goods and utilities	45,236	16,113	24,121	-	48,091	202,104	4,854	340,519	411,896
Interest on long-term debt	-	-	-	-	-	27,978	-	27,978	33,653
Impairment (recovery) of land held for resale	-	-	-	(5,750)	-	-	-	(5,750)	25,614
Amortization	13,064	12,560	172,695	-	66,159	170,492	604	435,574	433,784
	524,864	135,401	607,571	97,755	377,515	634,291	107,160	2,484,557	2,668,045
Excess (deficiency) of revenue over expenses									
	\$ 1,351,991	\$ (73,873)	\$ (512,277)	\$ (58,755)	\$ (257,705)	\$ 46,708	\$ (12,544)	\$ 483,545	\$ 437,966

TOWN OF BASSANO

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	Unrestricted	Restricted surplus	Equity in TCA	2020	2019
Balance, beginning of year	\$ 1,414,074	\$ 5,159,543	\$ 10,342,072	\$ 16,915,689	\$ 16,477,723
Excess of revenues over expenses	483,545	-	-	483,545	437,966
Transferred to restricted surplus	(696,964)	696,964	-	-	-
Transferred from restricted surplus	131,041	(131,041)	-	-	-
Acquisition of tangible capital assets internally funded	(72,714)	-	72,714	-	-
Amortization of capital assets	435,574	-	(435,574)	-	-
Debt principal paid	(104,517)	-	104,517	-	-
Change in accumulated surplus	175,965	565,923	(258,343)	483,545	437,966
Balance, end of year	\$ 1,590,039	\$ 5,725,466	\$ 10,083,729	\$ 17,399,234	\$ 16,915,689

TOWN OF BASSANO

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
General taxation:			
Real property tax	\$ 1,665,089	\$ 1,665,079	\$ 1,664,216
Linear property tax	10,082	10,082	25,914
Government grants in place of property taxes	12,839	12,829	12,667
	1,688,010	1,687,990	1,702,797
Requisitions:			
Alberta School Foundation Fund	315,139	315,147	314,403
Christ the Redeemer - RCSSD	12,838	12,833	12,840
Seniors Lodges	10,082	10,082	25,918
Designated Industrial Property	197	-	211
	338,256	338,062	353,372
Net municipal property tax	\$ 1,349,754	\$ 1,349,928	\$ 1,349,425

TOWN OF BASSANO

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2020, with comparative information for 2019

	Budget	2020	2019
Salaries, wages and benefits	\$ 591,834	\$ 561,924	\$ 622,207
Contracted and general services	1,233,177	1,000,507	1,070,152
Materials, goods and utilities	448,490	340,518	411,896
Transfers to local boards and agencies	128,385	123,806	70,739
Interest on long-term debt	27,978	27,978	33,653
Impairment (recovery) of land held for resale	-	(5,750)	25,614
Amortization	-	435,574	433,784
Total expenses by object	\$ 2,429,864	\$ 2,484,557	\$ 2,668,045

TOWN OF BASSANO

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2020, with comparative information for 2019

	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	2020	2019
Cost:							
Balance, beginning of year	\$ 153,301	\$ 5,464,517	\$ 16,735,232	\$ 670,701	\$ 434,459	\$ 23,458,210	\$ 23,310,002
Acquisition of tangible capital assets	-	-	-	9,769	28,000	37,769	37,161
Construction in progress	-	-	24,703	10,242	-	34,945	129,147
Disposal of tangible capital assets	-	-	-	-	-	-	(18,100)
Balance, end of year	153,301	5,464,517	16,759,935	690,712	462,459	23,530,924	23,458,210
Accumulated amortization:							
Balance, beginning of year	-	2,224,008	9,682,114	395,226	294,893	12,596,241	12,180,557
Accumulated amortization on disposals	-	-	-	-	-	-	(18,100)
Amortization	-	85,290	304,621	26,551	19,112	435,574	433,784
Balance, end of year	-	2,309,298	9,986,735	421,777	314,005	13,031,815	12,596,241
Net book value of tangible capital assets	153,301	3,155,219	6,773,200	268,935	148,454	10,499,109	10,861,969
2019 Net book value of tangible capital assets	\$ 153,301	\$ 3,240,509	\$ 7,053,118	\$ 275,475	\$ 139,566	\$ 10,861,969	