

Financial Statements of

TOWN OF BASSANO

And Independent Auditors' Report thereon

Year ended December 31, 2019

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, 2019 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.



Mrs. Amanda Davis
Chief Administrative Officer
March 9, 2020



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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, 2019
- 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, 2019, 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 9, 2020

TOWN OF BASSANO

Balance Sheet

December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets:		
Cash and short-term investments	\$ 987,890	\$ 2,294,872
Taxes and grants in place of taxes (note 4)	200,957	254,342
Land held for resale	70,748	309,225
Investments and marketable securities (note 5)	843,543	987,371
Trade and other receivables	260,760	299,299
Restricted cash (note 6)	5,271,287	3,039,014
	<u>7,635,185</u>	<u>7,184,123</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	86,436	154,319
Deposit liabilities	45,125	125
Deferred revenue (note 7)	1,024,946	1,075,538
Long-term debt (note 8)	519,897	618,738
	<u>1,676,404</u>	<u>1,848,720</u>
Net financial assets	5,958,781	5,335,403
Non-Financial Assets:		
Prepaid expenses	21,461	12,875
Tangible capital assets (Schedule 6)	10,861,969	11,129,445
Land inventory	73,478	-
	<u>10,956,908</u>	<u>11,142,320</u>
Commitments (note 13)		
Contingent liabilities (note 15)		
Accumulated surplus (note 9 and Schedule 3)	<u>\$ 16,915,689</u>	<u>\$ 16,477,723</u>

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Revenue:			
Net municipal property taxes (Schedule 4)	\$ 1,349,752	\$ 1,349,425	\$ 1,352,941
Sales and user charges	1,042,588	981,648	946,376
Government transfers (Schedule 1)	146,033	137,415	220,624
Franchise fees and sale of goods	266,555	263,815	236,391
Interest income	35,000	120,782	98,381
Penalties and cost of taxes	53,000	53,192	86,405
Licenses and permits	17,750	25,577	17,384
Rentals	26,471	36,815	34,986
Other	2,200	4,697	11,439
Gain on sale of tangible capital assets	-	3,500	-
Total revenue	2,939,349	2,976,866	3,004,927
Expenses (Schedule 5):			
Legislative	61,200	57,909	54,035
General administration	558,895	516,602	479,708
Protective Services	170,530	184,276	132,419
Roads, streets, walks and lighting	385,985	493,088	592,812
Water supply and distribution	424,094	552,450	470,341
Wastewater treatment and disposal	36,000	63,297	49,555
Waste management	124,950	108,787	107,137
Family and community support	115,309	124,253	120,179
Subdivision land development	2,500	25,614	96,596
Parks and recreation	358,555	401,733	353,144
Culture	69,545	76,948	78,858
Other	77,550	63,088	61,298
Total expenses	2,385,113	2,668,045	2,596,082
Excess of revenue over expenses from operations	554,236	308,821	408,845
Government transfers for capital (Schedule 1)	-	129,145	201,572
Excess of revenues over expenses	554,236	437,966	610,417
Accumulated surplus, beginning of year	16,477,723	16,477,723	15,867,306
Accumulated surplus, end of year	\$ 17,031,959	\$ 16,915,689	\$ 16,477,723

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Changes in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Excess of revenue over expenses	\$ 554,236	\$ 437,966	\$ 610,417
Acquisition of tangible capital assets	-	(166,308)	(201,572)
Amortization of tangible capital assets	-	433,784	479,578
Gain on sale of tangible capital assets	-	(3,500)	-
Proceeds on sale on tangible capital assets	-	3,500	-
Net change in prepaid assets	-	(8,586)	(12,875)
Net change in land inventory	-	(73,478)	-
Change in net financial assets	554,236	623,378	875,548
Net financial assets, beginning of year	5,335,403	5,335,403	4,459,855
Net financial assets, end of year	\$ 5,889,639	\$ 5,958,781	\$ 5,335,403

See accompanying notes to financial statements.

TOWN OF BASSANO

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 437,966	\$ 610,417
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	433,784	479,578
Gain on sale of tangible capital assets	(3,500)	-
Changes in non-cash assets and liabilities:		
Taxes and grants in place of taxes	53,385	(29,326)
Prepaid expenses	(8,586)	(12,875)
Trade and other receivables	38,539	(13,596)
Accounts payable and accrued liabilities	(67,883)	(269,859)
Deferred revenue	(50,592)	(164,745)
Deposit liabilities	45,000	-
Land held for resale	238,477	94,921
Land inventory	(73,478)	-
	<u>1,043,112</u>	<u>694,515</u>
Capital activities:		
Acquisition of tangible capital assets	(166,308)	(201,572)
Proceeds on disposal of tangible capital assets	3,500	-
	<u>(162,808)</u>	<u>(201,572)</u>
Investing activities:		
Decrease (increase) in restricted cash	(2,232,273)	134,091
Decrease (increase) in investments and marketable securities	143,828	(55,916)
	<u>(2,088,445)</u>	<u>78,175</u>
Financing activities:		
Payments on long-term debt	(98,841)	(93,474)
Increase (decrease) in cash and short-term investments	(1,306,982)	477,644
Cash and short-term investments, beginning of year	2,294,872	1,817,228
Cash and short-term investments, end of year	<u>\$ 987,890</u>	<u>\$ 2,294,872</u>

See accompanying notes to financial statements.

TOWN OF BASSANO

Notes to Financial Statements

Year ended December 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 2020, 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, 2021.

(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, 2021.

(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, 2021.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

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, 2021.

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, 2021.

(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.

3. Adoption of new accounting standards:

The Town has prospectively adopted PS 3430 - Restructuring transactions effective January 1, 2019. This section provides guidance on the recognition, measurement and presentation of restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. The adoption of this standard did not affect the financial statements.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

4. Taxes and grants in place of taxes:

	2019	2018
Taxes and grants of taxes:		
Current taxes and grants in place of taxes	\$ 120,009	\$ 167,546
Arrears taxes	90,948	96,796
	210,957	264,342
Provision for doubtful accounts	(10,000)	(10,000)
	\$ 200,957	\$ 254,342

5. Investments and marketable securities:

	2019		2018	
	Cost	Market value	Cost	Market value
At amortized cost:				
Government and government guaranteed bonds	\$ 838,429	\$ 876,251	\$ 982,453	\$ 987,462
At cost:				
Alberta Municipal Financing Corporation	10	10	10	10
Newell Regional Services Corporation	10	10	10	10
Connection First Credit Union	5,094	5,094	4,898	4,898
	\$ 843,543	\$ 881,365	\$ 987,371	\$ 992,380

Government and government guaranteed bonds have effective interest rates of 1.97% to 4.70% (2018 - 1.97% to 5.00%) and mature between 2021 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.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

6. Restricted cash:

Restricted cash is comprised of cash on deposit as follows:

	2019	2018
Restricted grant contributions unspent	\$ 1,024,946	\$ 1,075,538
Reserves	4,246,341	1,963,476
	<u>\$ 5,271,287</u>	<u>\$ 3,039,014</u>

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Deferred revenue:

	2019	2018
Deferred revenue, beginning of year	\$ 1,075,538	\$ 1,240,283
Grants received in the year:		
Operating	195,858	249,844
Capital	20,110	7,607
	215,968	257,451
Amounts recognized in revenue during the year:		
Operating	(137,415)	(220,624)
Capital	(129,145)	(201,572)
	(266,560)	(422,196)
Deferred revenue, end of year	\$ 1,024,946	\$ 1,075,538
Deferred revenue is comprised of:		
Operating:		
Municipal Sustainability Initiative	\$ 77,960	\$ 5,597
Early Childhood Development	-	14,238
Alberta Community Partnership - Local Land Use Planning Component	30,318	30,000
	108,278	49,835
Capital:		
Municipal Sustainability Initiative	273,832	267,300
Federal Gas Tax Fund	4,414	4,229
Alberta Municipal Water/Wastewater Partnership	638,422	754,174
	916,668	1,025,703
	\$ 1,024,946	\$ 1,075,538

Funding allocations for the 2017 to 2019 years have been made available to the Town from the Municipal Sustainability Initiative ("MSI") – Capital Component. Funding allocations for 2018 and 2019 under the Federal Gas Tax Fund ("FGTF") are also available to the Town. These allocations are only receivable from the funding source upon approval of project submissions made by the Town. As at December 31, 2019, the Town did not have any approved projects submitted towards these allocations. As a result these allocations have not been included in these financial statements.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

7. Deferred revenue (continued):

	Annual allocation	Approved projects	Allocation available
MSI:			
2017	\$ 358,577	\$ -	\$ 358,577
2018	429,146	-	429,146
2019	257,650	-	257,650
	1,045,373	-	1,045,373
FGTF:			
2018	66,516	-	66,516
2019	136,279	-	136,279
	202,795	-	202,795
	\$ 1,248,168	\$ -	\$ 1,248,168

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

8. Long-term debt:

	2019	2018
Debenture tax supported	\$ 519,897	\$ 618,738
Current portion	(104,517)	(98,841)
	\$ 415,380	\$ 519,897

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 104,517	\$ 27,978	\$ 132,495
2021	110,519	21,976	132,495
2022	116,864	15,631	132,495
2023	123,575	8,920	132,495
2024	64,422	1,825	66,247
	\$ 519,897	\$ 76,330	\$ 596,227

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 \$33,653 (2018 - \$39,021).

The Town has an authorized overdraft available up to a maximum of \$250,000 bearing interest at prime rate. Prime rate at December 31, 2019 was 3.95% (2018 - 3.95%). As at December 31, 2019, this was not drawn upon.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Accumulated surplus

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

	2019	2018
Unrestricted surplus	\$ 1,414,074	\$ 1,453,936
Restricted surplus:		
Administration	-	65,369
Emergency Services Building	-	167,495
Fire Committee	79,273	147,455
Road Paving	-	980,624
Public Works - Equipment	-	55,203
Public Works - Building	-	30,000
Infrastructure - 5th Street	-	3,161
Future Development	-	375
Sewage Treatment Upgrading	1,139,344	1,034,438
FCSS	9,998	11,901
Thrive Program	-	20,265
Cemetary Care	-	16,000
Planning & Development	-	25,500
Debt specific investment	-	65,892
Future Projects	-	38,000
Recreational Facilities	-	57,800
Pool Upgrades	-	55,729
Arena	-	10,000
Recreational Complex	-	41,594
Community Hall Repairs & Maintenance	-	69,697
Drop In/Parks & Recreation	-	10,000
Contingencies	-	30,300
Cash in Lieu	-	18,040
Water Upgrading	-	1,004,923
Land Replacement	-	553,319
Municipal Service	458,405	-
Capital Plan	2,423,906	-
Land and Development	721,183	-
Recreation and Culture	327,434	-
	5,159,543	4,513,080
Equity in tangible capital assets	10,342,072	10,510,707
	\$ 16,915,689	\$ 16,477,723

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

9. Accumulated surplus (continued):

	2019	2018
Equity in tangible capital assets:		
Tangible capital assets (Schedule 6)	\$ 23,458,210	\$ 23,310,002
Accumulated amortization (Schedule 6)	(12,596,241)	(12,180,557)
Loans related to capital assets	(519,897)	(618,738)
	\$ 10,342,072	\$ 10,510,707

10. 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:

	2019	2018
Total debt limit	\$ 4,465,299	\$ 4,507,391
Total debt	(519,897)	(618,738)
Amount of debt limit unused	3,945,402	3,888,653
Debt servicing limit	744,217	751,232
Debt servicing	(132,495)	(132,495)
Amount of debt servicing unused	\$ 611,722	\$ 618,737

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, 2019

11. 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, 2019

12. 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 2019	Total 2018
Wickson, Ron (Mayor)	\$ 15,000	\$ 3,497	\$ 18,497	\$ 11,052
Rose, Thomas (Deputy Mayor)	5,000	1,639	6,639	5,684
Barlow, Doug	3,800	77	3,877	3,288
Jones, Kevin	3,800	1,227	5,027	5,003
MacWilliam, Lynn	1,500	540	2,040	11,525
Seely (formerly Peterson), Jackie	4,350	834	5,184	10,849
Slomp, John	4,000	529	4,529	4,648
Irvin, Morey	2,900	1,212	4,112	-
	40,350	9,555	49,905	52,049
Chief Administrative Officer (iii)	-	-	-	62,949
Town Assessor (iv)	-	-	-	-
Bylaw Enforcement Officer (v)	\$ -	\$ -	\$ -	\$ -

- i) Salary includes regular base pay. For Councillors, 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 was vacant from August 2018 to December 2019. As a result, the Town has entered into an agreement for consulting services with an expiry date of February 1, 2020. The total cost incurred for the year was \$235,766 (2018 - \$90,121). Subsequent to year end, the contract was renewed with an expiry date of February 1, 2021. 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 \$18,734 (2018 - \$19,158). 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 agreement 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 \$12,000 (2018 - \$12,150). These contract payments are not reflected in the table above.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

12. Salary and benefits disclosure (continued):

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.

13. 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 Government of the Province of Alberta or any other person shall be provided by the participants on a per capita basis. In 2019 the Town contributed \$50,664 (2018 - \$49,796) 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 \$7,016,000, with \$3,683,500 being contributed by the Town and \$3,332,500 being contributed by Alberta Transportation. Total costs incurred for the project as at December 31, 2019 were \$398,972 (2018 - \$269,826).

14. 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.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

14. Financial instruments (continued):

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.

15. 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) The Town has identified a potential liability related to the existence of asbestos and other 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 asbestos and other hazardous materials. 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.

TOWN OF BASSANO

Notes to Financial Statements (continued)

Year ended December 31, 2019

16. Budget:

The budgeted information presented in these financial statements is based upon the 2019 operating and capital budgets approved by Council on May 27, 2019. Amortization was not contemplated in development of the budget and, as such, has not been included.

17. Funds held on behalf of others:

At December 31, 2019, the Town held funds on behalf of others for a scholarships trust amounting to approximately \$3,218 (2018 - \$3,216) which is not included in these financial statements.

18. Approval of financial statements:

Council and Management approved these financial statements.

TOWN OF BASSANO

Schedule 1 - Schedule of Government Transfers

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Transfers for operating:			
Provincial government	\$ 60,625	\$ 52,007	\$ 88,698
Other local governments	85,408	85,408	131,926
	146,033	137,415	220,624
Transfers for capital:			
Provincial government	-	129,145	201,572
Total government transfers	\$ 146,033	\$ 266,560	\$ 422,196

TOWN OF BASSANO

Schedule 2 - Schedule of Segmented Disclosures

Year ended December 31, 2019, with comparative information for 2018

	General government	Protective services	Transportation services	Planning and development	Recreation and culture	Environmental services	Public health	Total 2019	Total 2018
Revenue:									
Net municipal taxes	\$ 1,349,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,349,425	\$ 1,352,941
Sales and user charges	8,528	73,947	8,003	-	200,624	672,911	17,635	981,648	946,376
Government transfers	29,161	-	-	18,682	4,163	129,146	85,408	266,560	422,196
Penalties and cost of taxes	53,192	-	-	-	-	-	-	53,192	86,405
Franchise fees and sale of goods	263,815	-	-	-	-	-	-	263,815	236,391
Licenses and permits	25,577	-	-	-	-	-	-	25,577	17,384
Rentals	36,815	-	-	-	-	-	-	36,815	34,986
Interest income	120,782	-	-	-	-	-	-	120,782	98,381
Gain on sale of tangible capital assets	3,500	-	-	-	-	-	-	3,500	-
Other revenues	4,697	-	-	-	-	-	-	4,697	11,439
	1,895,492	73,947	8,003	18,682	204,787	802,057	103,043	3,106,011	3,206,499
Expenses:									
Salaries, wages and benefits	149,759	62,774	136,321	-	183,448	53,123	36,782	622,207	673,681
Transfers to local boards and agencies	-	-	-	-	15,075	55,664	-	70,739	66,977
Contracted and general services	384,134	91,767	182,709	34,464	115,409	177,121	84,548	1,070,152	809,836
Materials, goods and utilities	27,552	17,174	28,638	-	98,590	234,631	5,311	411,896	433,725
Interest on long-term debt	-	-	-	-	-	33,653	-	33,653	37,364
Impairment of land held for resale	-	-	-	25,614	-	-	-	25,614	94,921
Amortization	13,065	12,560	171,053	-	66,159	170,343	604	433,784	479,578
	574,510	184,275	518,721	60,078	478,681	724,535	127,245	2,668,045	2,596,082
Excess (deficiency) of revenue over expenses	\$ 1,320,982	\$ (110,328)	\$ (510,718)	\$ (41,396)	\$ (273,894)	\$ 77,522	\$ (24,202)	\$ 437,966	\$ 610,417

TOWN OF BASSANO

Schedule 3 - Schedule of Changes in Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	Unrestricted	Restricted surplus	Equity in TCA	2019	2018
Balance, beginning of year	\$ 1,453,936	\$ 4,513,080	\$ 10,510,707	\$ 16,477,723	\$ 15,867,306
Excess of revenues over expenses	437,966	-	-	437,966	610,417
Transferred to restricted surplus	(773,207)	773,207	-	-	-
Transferred from restricted surplus	126,744	(126,744)	-	-	-
Acquisition of tangible capital assets internally funded	(166,308)	-	166,308	-	-
Amortization of capital assets	433,784	-	(433,784)	-	-
Debt principal paid	(98,841)	-	98,841	-	-
Change in accumulated surplus	(39,862)	646,463	(168,635)	437,966	610,417
Balance, end of year	\$ 1,414,074	\$ 5,159,543	\$ 10,342,072	\$ 16,915,689	\$ 16,477,723

TOWN OF BASSANO

Schedule 4 - Schedule of Net Municipal Property Taxes

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
General taxation:			
Real property tax	\$ 1,664,507	\$ 1,664,216	\$ 1,675,001
Linear property tax	25,918	25,914	25,998
Government grants in place of property taxes	12,667	12,667	12,988
	1,703,092	1,702,797	1,713,987
Requisitions:			
Alberta School Foundation Fund	314,544	314,403	322,065
Christ the Redeemer - RCSSD	12,667	12,840	13,015
Seniors Lodges	25,918	25,918	25,873
Designated Industrial Property	211	211	93
	353,340	353,372	361,046
Net municipal property tax	\$ 1,349,752	\$ 1,349,425	\$ 1,352,941

TOWN OF BASSANO

Schedule 5 - Schedule of Expenses by Object

Year ended December 31, 2019, with comparative information for 2018

	Budget	2019	2018
Salaries, wages and benefits	\$ 624,120	\$ 622,207	\$ 673,681
Contracted and general services	1,181,944	1,070,152	809,836
Materials, goods and utilities	462,620	411,896	433,725
Transfers to local boards and agencies	82,775	70,739	66,977
Interest on long-term debt	33,654	33,653	37,364
Impairment of land held for resale	-	25,614	94,921
Amortization	-	433,784	479,578
Total expenses by object	\$ 2,385,113	\$ 2,668,045	\$ 2,596,082

TOWN OF BASSANO

Schedule 6 - Schedule of Tangible Capital Assets

Year ended December 31, 2019, with comparative information for 2018

	Land	Buildings	Engineered structures	Machinery and equipment	Vehicles	2019	2018
Cost:							
Balance, beginning of year	\$ 153,301	\$ 5,464,517	\$ 16,592,678	\$ 665,047	\$ 434,459	\$ 23,310,002	\$ 23,108,430
Acquisition of tangible capital assets	-	-	13,407	23,754	-	37,161	30,274
Construction in progress	-	-	129,147	-	-	129,147	171,298
Disposal of tangible capital assets	-	-	-	(18,100)	-	(18,100)	-
Balance, end of year	153,301	5,464,517	16,735,232	670,701	434,459	23,458,210	23,310,002
Accumulated amortization:							
Balance, beginning of year	-	2,138,717	9,377,092	387,567	277,181	12,180,557	11,700,979
Accumulated amortization on disposals	-	-	-	(18,100)	-	(18,100)	-
Amortization	-	85,291	305,022	25,759	17,712	433,784	479,578
Balance, end of year	-	2,224,008	9,682,114	395,226	294,893	12,596,241	12,180,557
Net book value of tangible capital assets	153,301	3,240,509	7,053,118	275,475	139,566	10,861,969	11,129,445
2018 Net book value of tangible capital assets	\$ 153,301	\$ 3,325,800	\$ 7,215,586	\$ 277,480	\$ 157,278	\$ 11,129,445	