

TOWN OF NANTON

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

TOWN OF NANTON
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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Town of Nanton

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Management's Responsibility for Reporting

Town of Nanton's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated 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 consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The consolidated 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 consolidated 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 Council is responsible for overseeing management in the performance of its reporting responsibilities, and for approving the consolidated financial statements. Council fulfils 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 consolidated financial statements have been audited by the independent firm of BDO Canada LLP. Their report to the Members of Council of the Town of Nanton, stating the scope of their examination and opinion on the financial statements, follow.

Neil Smith, CAO
April 19, 2021



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Independent Auditor's Report

To the Mayor and Members of Council of Town of Nanton

Opinion

We have audited the consolidated financial statements of Town of Nanton and its controlled entities (the Town), which comprise the consolidated the statement of financial position as at December 31, 2020, and the consolidated statements of operations, changes in net financial assets and cashflows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Town as at December 31, 2020, and its results of operations, its consolidated changed in net financial assets, and its consolidated 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 auditor's report to the related disclosures in the consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

BDO Canada LLP

Chartered Professional Accountants

Lethbridge, Alberta
April 19, 2021

TOWN OF NANTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	2020	2019
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	4,269,292	4,102,428
Receivables		
Taxes and grants in place of taxes (note 3)	219,544	179,662
Trade and other receivables (note 3)	272,708	266,047
Due from other governments (note 3)	69,128	126,611
Land held for resale	287,603	289,106
Investments (note 4)	727,272	714,482
	<u>5,845,547</u>	<u>5,678,336</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 5)	385,563	468,096
Deposit liabilities	96,009	117,671
Deferred revenue (note 6)	252,872	214,577
Long-term debt (note 8)	803,136	831,857
	<u>1,537,580</u>	<u>1,632,201</u>
NET FINANCIAL ASSETS	<u>4,307,967</u>	<u>4,046,135</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (schedule 2)	38,001,310	37,861,137
Prepaid expenses	112,328	105,622
	<u>38,113,638</u>	<u>37,966,759</u>
ACCUMULATED SURPLUS (schedule 1, note 11)	<u>42,421,605</u>	<u>42,012,894</u>

Commitments & Contingencies - see notes 16 & 17

APPROVED BY:



The accompanying notes and supporting schedules to which the consolidated financial statements are cross-referenced are an integral part of these consolidated financial statements.

TOWN OF NANTON
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2020

	Budget \$ (note 12)	2020 \$	2019 \$
REVENUE			
Net municipal taxes (schedule 3)	2,921,826	2,930,748	2,949,906
User fees and sales of goods	1,446,515	1,472,289	1,280,983
Penalties and cost of taxes	58,950	39,487	60,377
Government transfers (schedule 4)	153,210	498,192	270,839
Fines	32,000	15,474	47,526
Franchise and concession contracts	268,100	272,267	259,119
Investment income	45,000	62,399	107,761
Rentals	181,918	120,866	169,022
Licenses and permits	56,100	65,741	65,900
Other	14,000	49,923	46,726
TOTAL REVENUE	5,177,619	5,527,386	5,258,159
EXPENSES			
Legislative	134,602	116,149	121,541
General administration	740,874	768,643	706,053
Fire	174,241	226,441	220,356
Municipal enforcement and disaster	90,000	94,080	83,394
Common services	307,382	380,237	313,892
Roads, streets, walks, lighting	397,170	609,264	527,336
Water supply and distribution	560,346	1,001,852	1,380,929
Waste water treatment and disposal	669,278	1,070,444	1,031,003
Waste management	95,500	68,617	78,798
Recycling	100,358	125,361	163,122
Marketing and communications	82,816	70,726	99,715
Cemetery	14,106	16,822	11,687
Land use, planning, zoning and development	164,200	160,496	140,903
Parks and recreation	841,589	1,010,702	1,005,580
Culture	75,403	93,606	107,757
FCSS and public health	82,033	77,800	83,874
TOTAL EXPENSES	4,529,898	5,891,240	6,075,940
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	647,721	(363,854)	(817,781)
OTHER			
Government transfers for capital (schedule 4)	1,199,160	772,565	106,708
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	1,846,881	408,711	(711,073)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	42,012,894	42,012,894	42,723,967
ACCUMULATED SURPLUS, END OF YEAR	43,859,775	42,421,605	42,012,894

The accompanying notes and supporting schedules to which the consolidated financial statements are cross-referenced are an integral part of these consolidated financial statements.

TOWN OF NANTON
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2020

	Budget \$	2020 \$	2019 \$
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>1,846,881</u>	<u>408,711</u>	<u>(711,073)</u>
Acquisition of tangible capital assets	(1,656,160)	(1,424,088)	(346,243)
Proceeds on disposal of tangible capital assets	-	14,200	53,900
Amortization of tangible capital assets	-	1,275,022	1,245,597
Loss (gain) on disposal of tangible capital assets	<u>-</u>	<u>(5,307)</u>	<u>(2,591)</u>
	<u>(1,656,160)</u>	<u>(140,173)</u>	<u>950,663</u>
Acquisition of prepaid expenses	-	(112,328)	(105,622)
Use of prepaid assets	<u>-</u>	<u>105,622</u>	<u>98,408</u>
	<u>-</u>	<u>(6,706)</u>	<u>(7,214)</u>
INCREASE IN NET FINANCIAL ASSETS	190,721	261,832	232,377
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>4,046,135</u>	<u>4,046,135</u>	<u>3,813,758</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>4,236,856</u>	<u>4,307,967</u>	<u>4,046,135</u>

The accompanying notes and supporting schedules to which the consolidated financial statements are cross-referenced are an integral part of these consolidated financial statements.

TOWN OF NANTON
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	2020 \$	2019 \$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (Deficiency) of revenue over expenses	408,711	(711,073)
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization	1,275,022	1,245,597
Loss (gain) on disposal of tangible capital assets	(5,307)	(2,590)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(39,882)	11,045
Decrease (increase) in trade and other receivables	(6,661)	28,623
Decrease (increase) in due from other governments	57,483	145,514
Decrease (increase) in land for resale	1,503	-
Decrease (increase) in investments	(12,790)	(12,459)
Decrease (increase) in prepaid expenses	(6,705)	(7,214)
Increase (decrease) in accounts payable and accrued liabilities	(82,533)	(32,244)
Increase (decrease) in deposit liabilities	(21,662)	20,115
Increase (decrease) in deferred revenue	38,295	(123,761)
	<u>1,605,474</u>	<u>561,553</u>
Cash provided by operating transactions		
CAPITAL		
Acquisition of capital assets	(1,424,088)	(346,243)
Proceeds on disposal of tangible capital assets	14,200	53,900
	<u>(1,409,888)</u>	<u>(292,343)</u>
Cash applied to capital transactions		
FINANCING		
Long-term debt increase - operating	-	750,000
Long-term debt repaid	(28,721)	(208,685)
	<u>(28,721)</u>	<u>541,315</u>
Cash applied to financing transactions		
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	166,865	810,525
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,102,428	3,291,903
CASH AND CASH EQUIVALENTS, END OF YEAR	4,269,292	4,102,428

The accompanying notes and supporting schedules to which the consolidated financial statements are cross-referenced are an integral part of these consolidated financial statements.

TOWN OF NANTON
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
YEAR ENDED DECEMBER 31, 2020
SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus (note 11)	Equity in Tangible Capital Assets (note 10)	2020 \$	2019 \$
BALANCE, BEGINNING OF YEAR	126,318	4,117,865	37,768,711	42,012,894	42,723,967
Excess (deficiency) of revenues over expenses	408,711	-	-	408,711	(711,073)
Unrestricted funds designated for future use	(945,098)	945,098	-	-	-
Restricted funds used for tangible capital assets	-	(711,157)	711,157	-	-
Current year funds used for tangible capital assets	(712,931)	-	712,931	-	-
Disposal of tangible capital assets	8,893	-	(8,893)	-	-
Annual amortization expense	1,275,022	-	(1,275,022)	-	-
Long-term debt repaid	(7,150)	-	7,150	-	-
Change in accumulated surplus	27,447	233,941	147,323	408,711	(711,073)
BALANCE, END OF YEAR	153,765	4,351,806	37,916,034	42,421,605	42,012,894

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

TOWN OF NANTON
SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED DECEMBER 31, 2020
SCHEDULE 2

	Land	Land Improvements	Buildings	Road & Streets	Engineered Structures Water System	Waste System	Machinery & Equipment	Vehicles	2020 \$	2019 \$
COST										
BALANCE, BEGINNING OF YEAR	891,739	349,725	6,959,545	10,701,766	14,544,108	20,693,138	3,308,936	1,549,172	58,998,128	58,708,202
Acquisition of tangible capital assets	-	45,137	183,923	357,934	281,049	-	431,008	-	1,299,051	346,243
Addition of construction-in-progress	-	-	91,750	-	-	33,287	-	-	125,037	-
Disposition of tangible capital assets	-	-	-	-	-	-	(33,350)	-	(33,350)	(56,316)
BALANCE, END OF YEAR	891,739	394,862	7,235,218	11,059,700	14,825,157	20,726,425	3,706,594	1,549,172	60,388,866	58,998,128
ACCUMULATED AMORTIZATION										
BALANCE, BEGINNING OF YEAR	-	195,375	3,105,766	6,348,275	4,706,593	3,587,745	1,952,593	1,240,644	21,136,991	19,896,400
Annual amortization	-	22,353	134,228	224,741	284,768	384,100	160,830	64,002	1,275,022	1,245,597
Accumulated amortization on disposal	-	-	-	-	-	-	(24,457)	-	(24,457)	(5,006)
BALANCE, END OF YEAR	-	217,728	3,239,994	6,573,016	4,991,361	3,971,845	2,088,966	1,304,646	22,387,556	21,136,991
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	891,739	177,134	3,995,224	4,486,684	9,833,796	16,754,580	1,617,628	244,526	38,001,310	37,861,137
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	891,739	154,350	3,853,779	4,353,491	9,837,515	17,105,393	1,356,343	308,528	37,861,137	

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

TOWN OF NANTON
SCHEDULE OF PROPERTY AND OTHER TAXES
YEAR ENDED DECEMBER 31, 2020
SCHEDULE 3

	Budget \$	2020 \$	2019 \$
TAXATION			
Real property taxes	2,915,160	3,759,489	3,833,988
Linear property taxes	-	56,818	63,828
Government grants in place of property taxes	-	13,105	14,320
Special assessments and local improvement taxes	6,666	6,529	6,666
	<u>2,921,826</u>	<u>3,835,941</u>	<u>3,918,802</u>
REQUISITIONS			
Alberta School Foundation Fund	-	794,746	856,989
Seniors' Lodge	-	110,447	111,907
	<u>-</u>	<u>905,193</u>	<u>968,896</u>
NET MUNICIPAL TAXES	<u>2,921,826</u>	<u>2,930,748</u>	<u>2,949,906</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

TOWN OF NANTON
SCHEDULE OF GOVERNMENT TRANSFERS
YEAR ENDED DECEMBER 31, 2020
SCHEDULE 4

	Budget \$	2020 \$	2019 \$
TRANSFERS FOR OPERATING			
Provincial Government	108,710	433,627	198,839
Other Local Governments	44,500	64,565	72,000
	<u>153,210</u>	<u>498,192</u>	<u>270,839</u>
TRANSFERS FOR CAPITAL			
Provincial Government	1,199,160	772,565	106,708
	<u>1,199,160</u>	<u>772,565</u>	<u>106,708</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,352,370</u>	<u>1,270,757</u>	<u>377,547</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
YEAR ENDED DECEMBER 31, 2020
SCHEDULE 5

	Budget	2020	2019
	\$	\$	\$
EXPENSES			
Salaries, wages and benefits	1,829,521	1,812,881	1,738,574
Contracted and general services	1,562,460	1,777,064	2,133,696
Materials, goods and utilities	895,560	864,090	793,727
Transfers to local boards and agencies	215,820	136,530	141,789
Bank charges and short-term interest	1,700	1,082	2,757
Interest on long-term debt	23,837	23,803	19,471
Other expenses	1,000	768	329
Amortization of tangible capital assets	-	1,275,022	1,245,597
	<u>4,529,898</u>	<u>5,891,240</u>	<u>6,075,940</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE
YEAR ENDED DECEMBER 31, 2020
SCHEDULE 6

	General Government	Protective Services	Roads, streets, walks, lighting Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	2,930,748	-	-	-	-	-	-	2,930,748
Government transfers	170,791	10,200	113,598	5,461	816,037	151,669	3,000	1,270,757
User fees and sales of goods	6,772	-	-	58,585	21,753	1,375,681	9,498	1,472,289
Investment income	62,399	-	-	-	-	-	-	62,399
Other revenues	341,154	69,386	7,526	63,654	79,252	2,787	-	563,759
	<u>3,511,864</u>	<u>79,586</u>	<u>121,124</u>	<u>127,700</u>	<u>917,042</u>	<u>1,530,137</u>	<u>12,498</u>	<u>6,299,952</u>
EXPENSES								
Salaries, wages and benefits	603,888	54,843	288,612	82,547	366,205	402,340	14,446	1,812,881
Contracted and general services	222,484	167,683	177,385	144,107	267,299	797,473	633	1,777,064
Materials, goods and utilities	35,837	33,247	241,628	2,068	197,710	352,863	737	864,090
Transfers to local boards and agencies	87,340	-	-	2,500	46,690	-	-	136,530
Interest on long-term debt	-	-	-	-	-	23,803	-	23,803
Other expenses	1,850	-	-	-	-	-	-	1,850
	<u>951,399</u>	<u>255,773</u>	<u>707,625</u>	<u>231,222</u>	<u>877,904</u>	<u>1,576,479</u>	<u>15,816</u>	<u>4,616,218</u>
NET REVENUE, BEFORE AMORTIZATION	<u>2,560,465</u>	<u>(176,187)</u>	<u>(586,501)</u>	<u>(103,522)</u>	<u>39,138</u>	<u>(46,342)</u>	<u>(3,318)</u>	<u>1,683,734</u>
Amortization expense	11,193	64,748	281,876	-	226,404	689,795	1,006	1,275,022
NET REVENUE	<u>2,549,272</u>	<u>(240,935)</u>	<u>(868,377)</u>	<u>(103,522)</u>	<u>(187,266)</u>	<u>(736,137)</u>	<u>(4,324)</u>	<u>408,712</u>

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

TOWN OF NANTON
SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE
YEAR ENDED DECEMBER 31, 2019
SCHEDULE 6

	General Government	Protective Services	Roads, streets, walks, lighting Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total \$
REVENUE								
Net municipal taxes	2,949,906	-	-	-	-	-	-	2,949,906
Government transfers	99,653	8,000	-	9,524	55,625	201,745	3,000	377,547
User fees and sales of goods	7,029	150	975	1,707	29,297	1,229,382	12,443	1,280,983
Investment income	107,761	-	-	-	-	-	-	107,761
Other revenues	344,722	92,271	2,000	72,425	131,866	5,386	-	648,670
	3,509,071	100,421	2,975	83,656	216,788	1,436,513	15,443	5,364,867
EXPENSES								
Salaries, wages and benefits	544,358	47,399	228,967	89,934	415,694	403,916	8,306	1,738,574
Contracted and general services	228,458	162,214	114,540	142,321	265,171	1,219,146	1,846	2,133,696
Materials, goods and utilities	33,091	29,686	225,560	1,113	176,260	327,489	528	793,727
Transfers to local boards and agencies	90,701	-	-	2,895	48,193	-	-	141,789
Interest on long-term debt	-	-	-	4,355	-	15,116	-	19,471
Other expenses	3,086	-	-	-	-	-	-	3,086
	899,694	239,299	569,067	240,618	905,318	1,965,667	10,680	4,830,343
NET REVENUE, BEFORE AMORTIZATION	2,609,377	(138,878)	(566,092)	(156,962)	(688,530)	(529,154)	4,763	534,524
Amortization expense	11,774	64,451	272,161	-	208,019	688,185	1,007	1,245,597
NET REVENUE	2,597,603	(203,329)	(838,253)	(156,962)	(896,549)	(1,217,339)	3,756	(711,073)

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Town of Nanton (the "Town") are the representations of management prepared in accordance with generally accepted accounting principals for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by Town of Nanton are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial assets and cash flows of the reporting entity. This entity is comprised of the Town operations plus all of the entities that are owned or controlled by the Town and are, therefore, accountable to Town Council for the administration of their financial affairs and resources. They include the following:

Nanton Fire Department
Nanton Family & Community Support Services
Thelma Fanning Memorial Library
Nanton Health Centre Management Committee (NHCMC) - 1/3 Joint Venture (note 19)

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 have been 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. User fee, franchise, and concession revenues are recognized monthly based on the term of the agreement as earned. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or 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.

c) Use of Estimates

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

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and temporary investments

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition, or are redeemable, and are held for the purpose of meeting short-term cash commitments rather than for investing.

e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. 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.

f) Land Held for Resale

Land held for resale is recorded at 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as physical assets under the respective function.

g) 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.

h) Tax Revenue

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

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

i) Government Transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
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. The change in non-financial assets during the year, together with the excess (deficiency) of revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

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

	Years
Buildings	15-50
Engineered structures	
Roads	15-30
Water systems	45-75
Wastewater systems	40-75
Land improvements	10-20
Machinery and equipment	3-30
Vehicles	10

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

ii. Contributions on Tangible Capital Assets

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

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost, with cost determined by the average cost method, except for gravel and fuel which is determined by the first-in, first-out method.

k) Registered pension plan

The Town has a defined contribution pension plan for full-time employees. The Town's pension costs are charged to operations as contributions are due. Contributions are a defined amount based upon a set percentage of salary.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial Instruments

Unless otherwise noted, the fair value of the financial instrument approximates their carrying value and it is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from financial instruments.

m) Contaminated Sites Liability

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2020</u> \$	<u>2019</u> \$
Cash	4,228,879	4,102,428
Temporary investments	<u>40,413</u>	<u>-</u>
	<u>4,269,292</u>	<u>4,102,428</u>

Included in cash are savings accounts which bear interest between 0.40% and 1.65%.

The Town has an available revolving line of credit facility up to \$5,000,000 with interest payable at prime minus 0.25%. As at December 31, 2020 the balance owing on this facility is \$Nil (2019-\$Nil). The Town also has a line of credit for operation purposes with ATB for up to \$250,000 with interest payable at 3.45%. As at December 31, 2020 the balance owing on this facility is \$Nil (2019-\$Nil).

Included in cash is \$252,872 (2019 - \$214,577) restricted for capital projects as outlined in note 6. The cash balance also includes debenture proceeds received in 2020 of which \$53,637 (2019 - \$294,775) was not spent at year end.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. RECEIVABLES	2020	2019
	\$	\$
Current taxes and grants in place of taxes	142,810	143,937
Arrears taxes	76,734	35,725
	<u>219,544</u>	<u>179,662</u>
Utilities receivable	233,418	213,753
Accrued receivables	26,293	24,188
Other receivables	12,997	28,106
	<u>272,708</u>	<u>266,047</u>
GST receivable	53,861	34,040
Due from provincial government	15,267	92,571
	<u>69,128</u>	<u>126,611</u>

The Town's exposure to credit risk arises from the possibility that taxpayers may fail to meet their obligations. Taxes and grants in lieu receivable includes \$50,979 (2019 - \$50,884) due from five (2019 - five) taxpayer(s). The Town manages this risk by following the methods of recovering taxes in arrears as prescribed in section 411 of the Municipal Government Act, which includes the right of the Town to offer up for sale at a public auction those properties with taxes in arrears.

4. INVESTMENTS	2020 - \$	2019
	Market Value	Amortized Cost
Investment shares	82	82
Investments - BMO Nesbitt Burns	784,447	714,380
	<u>784,529</u>	<u>714,462</u>

The investments with BMO Nesbitt Burns include corporate bonds with an effective interest rate of 2.59%, maturing in 2022; strips and coupons with an effective interest rate between 0.586% and 3.05%, maturing between 2021 and 2024.

- 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**
 Included in accounts payable and accrued liabilities are employee benefit obligations (accrued wages and vacation) of \$105,073 (2019 - \$67,164). Employees have either earned the benefits or are entitled to these within the next budgetary year.

6. DEFERRED REVENUE	2020	2019
	\$	\$
Alberta Community Partnership Program	11,308	76,075
Municipal Operating Support Transfer	93,976	-
Municipal Sustainability Initiative - Capital	108,409	80,896
Municipal Sustainability Initiative - Operating	12,016	25,343
Nanton Physician Recruitment	25,193	30,448
Miscellaneous	1,970	1,815
	<u>252,872</u>	<u>214,577</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. DEFERRED REVENUE (CONTINUED)

Municipal Sustainability Initiative - Capital

The Province provides conditional grant funding through this program to assist with various capital expenditures in the Town. The use of these funds is restricted to eligible expenditures as approved under the funding agreement. During the year the Town received \$644,217 (2019 - \$nil) and expended \$617,873 (2019 - \$32,238) on eligible expenditures.

Municipal Sustainability Initiative - Operating

The Province provides conditional grant funding through this program to assist with various operating expenditures in the Town. The use of these funds is restricted to eligible expenditures as approved under the funding agreement. During the year the Town received \$28,919 (2019 - \$31,747) and expended \$42,477 (2019 - \$21,961) on eligible expenditures.

Federal Gas Tax Fund

This Government of Canada provides Alberta Transportation with a grant restricted to eligible expenditures as approved under the funding agreement. During the year the Town received \$147,663 (2019 - \$nil) and expended \$162,929 (2019- \$74,470) on eligible expenditures.

Municipal Operating Support Transfer

The Government of Canada and the Province are providing funding support to municipalities as relief from impacts of COVID-19. During the year the Town received \$225,846 (2019 - \$nil) and expended \$131,870 (2019 - \$nil) on eligible expenditures.

7. CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2020 (2019-\$nil) as a result of this standard.

8. LONG-TERM DEBT

	2020 \$	2019 \$
Long term debt related to operational expenditures	717,861	739,431
Long term debt related to capital expenditures	85,275	92,426
Debentures	803,136	831,857

	Principal \$	Interest \$	Total \$
2021	29,619	22,938	52,557
2022	30,547	22,010	52,557
2023	31,505	21,052	52,557
2024	32,495	20,062	52,557
2025	33,517	19,040	52,557
Thereafter	645,453	172,790	818,243
	803,136	277,892	1,081,028

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

Long term debt is repayable to Alberta Capital Finance Authority. Long term debt for operational purposes bears interest at 2.72% and matures in 2044. Long-term debt for capital purposes bears interest at 4.25% per annum and matures in 2030.

Long-term debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$23,803 (2019 - \$19,471).

The Town's total cash payments for interest in 2020 was \$24,885 (2019 - \$22,228).

In 2019, the Town received \$750,000 from Alberta Capital Finance Authority for operational expenditures related to raw water reservoir renewal. Of this amount \$53,637 remains unspent at the end of the year and is included in restricted cash. (note 2)

9. DEBT LIMITS

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

	2020 \$	2019 \$
Total debt limit	8,291,079	7,887,239
Total debt	(803,136)	(831,857)
Amount total debt limit unused	7,487,943	7,055,382
Debt servicing limit	1,381,847	1,314,540
Debt servicing	(52,557)	(52,557)
Amount of debt servicing limit unused	1,329,290	1,261,983

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

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020 \$	2019 \$
Tangible capital assets (schedule 2)	60,388,865	58,998,128
Accumulated amortization (schedule 2)	(22,387,556)	(21,136,991)
Long-term debt (note 8)	(85,275)	(92,426)
	37,916,034	37,768,711

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

11. ACCUMULATED SURPLUS

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

	2020 \$	2019 \$
Unrestricted surplus	<u>153,765</u>	<u>126,318</u>
Restricted surplus		
General operating	660,000	500,000
Utility operating	122,447	122,447
Road infrastructure	733,268	542,886
Utility infrastructure - water	762,204	865,290
Land developments - industrial and commercial	390,928	306,373
Land developments - Westview	407,998	732,979
Building and land improvements	398,656	595,707
Arena/Multiplex	263,620	-
Machine and equipment - general	211,998	161,860
Vehicles - fire	210,534	157,193
Building and land improvements - public realm	84,665	40,000
NHCMC (note 19)	<u>105,488</u>	<u>93,131</u>
	<u>4,351,806</u>	<u>4,117,866</u>
Equity in tangible capital assets (note 10)	<u>37,916,034</u>	<u>37,768,711</u>
	<u>42,421,605</u>	<u>42,012,894</u>

12. BUDGETED INFORMATION

Budgeted information was prepared under the modified accrual method while Public Sector Accounting Standards require a full accrual basis. This note provides a reconciliation between the budget figures disclosed in the financial statements and the approved budget figures.

	2020 \$
Budget surplus reported in financial statements	1,846,881
Less: Capital expenditures	(1,656,160)
Less: Debt principal repayment	(28,721)
Add: Transfer from reserves	473,000
Less: Transfer to reserves	<u>(635,000)</u>
Budget approved by Council	<u>-</u>

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

13. SALARY AND BENEFITS DISCLOSURE

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

	2020 \$			2019 \$
	Salary ¹	Benefits ^{2,3}	Total	Total
COUNCILLORS				
Handley	17,059	786	17,845	18,869
Mitchell	12,004	521	12,525	14,021
West	12,004	1,161	13,165	13,701
Czop	12,004	652	12,656	13,781
Dozeman	12,004	921	12,925	13,141
McLelland	12,004	521	12,525	12,981
Wicket	12,004	521	12,525	12,981
 Chief Administrative Officer	 123,924	 22,954	 146,878	 139,031
 Designated Officers (3 positions)	 203,830	 42,961	 246,791	 238,370

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees include pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

14. REGISTERED PENSION PLAN

Employees of the Town of Nanton participate in a private pension plan through Great West Life. The plan covers 19 permanent employees of the Town.

The Town of Nanton is required to make current service contributions to the plan of 8.5% of pensionable payroll. Employees of the Town of Nanton may make voluntary contributions if desired.

Employees contributed \$15,345 to the plan for the year (2019 - \$15,873). The Town contributed \$22,757 to the plan for the year (2019 - \$63,407) for current service and this expense have been recognized on the statement of operations.

On December 31, 2020, there have been no changed rates of employer contributions to the plan.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

15. SEGMENTED DISCLOSURE

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

Refer to the Schedule of Segmented Disclosure (schedule 6).

General Government

Included in this segment are revenues and expenses associated with legislative, general administration, family and community support services (FCSS) and public health.

Protective Services

Included in this segment are revenues and expenses associated with fire and municipal enforcement and disaster.

Roads, Streets, Walks, Lighting Services

Included in this segment are revenues and expenses associated with common services and roads, streets, walks and lighting.

Planning and Development

Included in this segment are revenues and expenses associated with marketing and communications, land use, planning, zoning and development.

Recreation and Culture

Included in this segment are revenues and expenses associated with parks and recreation and culture.

Environmental Services

Included in this segment are revenues and expenses associated with water supply and distribution, waste water treatment and disposal, waste management and recycling.

Other

Included in this segment are revenues and expenses associated with the Nanton cemetery.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

16. COMMITMENTS

The Town of Nanton has a five year agreement with Benchmark Assessment Consultants which is set to expire on June 30, 2025 for assessment services. The agreement contains the following agreed upon amounts:

2021:	\$25/parcel plus GST
2022:	\$25/parcel plus GST
2023:	\$25/parcel plus GST
2024:	\$25/parcel plus GST
2025:	\$25/parcel plus GST

The Town of Nanton has a three year agreement with the MD of Willow Creek which is set to expire on December 31, 2021 for the use of their Peace Officers. The agreement contains the following agreed upon amounts:

2021:	\$88,845 + Fuel
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The Town of Nanton has a five year agreement with the Access Gas Services for natural gas supply and management services set to expire December 2021.

The Town of Nanton has a three year agreement with AltaGas for electricity services set to expire December 2021.

17. CONTINGENCIES

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 the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

18. FINANCIAL INSTRUMENTS

The Town's financial instruments consists of cash and temporary investments, line of credit facility, accounts receivable, investments, accounts payable and accrued liabilities, deposit 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. The Town is subjected to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimized the credit risk.

TOWN OF NANTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

19. NANTON HEALTH CENTRE MANAGEMENT COMMITTEE

The Town of Nanton participates in a Joint Venture with the MD of Willow Creek and the MD of Ranchland in operating the Nanton Health Centre Management Committee and the Nanton Medical Clinic. The three stakeholders share responsibilities for 1/3 of the operating revenues, operating costs and net operating revenues of the Clinic. The Town of Nanton provides management and administrative services as its commitment to the operation. The Joint Venture is proportionately consolidated with the Town of Nanton's financial statements at year-end on a line by line basis.

The following table presents condensed financial information for the Nanton Health Management Committee business partnerships:

	Nanton Health Centre	
	2020	2019
	\$	\$
Financial position		
Cash	294,526	259,780
Other assets	20,938	21,071
Total assets	<u>315,464</u>	<u>280,851</u>
Accumulated surplus	<u>316,465</u>	<u>280,851</u>
Result of operations		
Revenues	87,284	85,357
Expenses	51,670	79,118
Net income	<u>35,614</u>	<u>6,239</u>

20. COVID-19

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020 and has had a significant impact worldwide. As the impacts of COVID-19 continue, there could be further impact on the Town, its residents, employees, suppliers and other third party business associates that could impact the timing and amounts realized on the Town's assets and future ability to deliver services and projects. At this time, the full potential impact of COVID-19 on the Town is not known. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of disruption and the related financial impact cannot be reasonably estimated at this time. The Town's ability to continue delivering non-essential services and employ related staff will depend on the legislative mandates from the various levels of government. The Town will continue to focus on collecting receivables, managing expenditures, and leveraging existing reserves and available credit facilities to ensure it is able to continue providing essential services to its residents.