

TOWN OF BASHAW
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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**MANAGEMENTS' RESPONSIBILITY FOR
FINANCIAL REPORTING**

Management of the Town of Bashaw is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the town's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgements. 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 and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The town council carries out its responsibilities for review of the financial statements principally through council meetings. They meet with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to Council with and without the presence of management. The Town Council has approved the financial statements.

The financial statements have been audited by Gitzel & Company, Chartered Professional Accountants, independent external auditors appointed by the town. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the town's financial statements.



Chief Administrative Officer



Date

INDEPENDENT AUDITORS' REPORT

TO: The Mayor and Council
Town of Bashaw

Opinion

We have audited the financial statements of the Town of Bashaw, which comprise the statement of financial position as at December 31, 2021 and the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the town as at December 31, 2021, the results of its operations, change in its net financial assets (debt) and 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 Municipal 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 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 ability of the town 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 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 these 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 controls.
- 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 purposes 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 the 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 represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Stettler, Alberta
April 19, 2022

Gitzel & Company
CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF BASHAW
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and short term investments (Note 3)	\$ 1,228,103	\$ 1,580,867
Taxes and grants in place of taxes receivables (Note 4)	89,429	131,359
Trade and other receivables (Note 5)	736,177	233,732
Long-term investments (Note 6)	<u>373,995</u>	<u>373,995</u>
	<u>2,427,704</u>	<u>2,319,953</u>
LIABILITIES		
Accounts payable and accrued liabilities	163,612	158,055
Deposit liabilities	1,625	2,125
Deferred revenue (Note 8)	160,759	81,108
Due to Highway 12/21 Regional Water Services Commission (Note 9)	272,647	285,534
Reclamation liability (Note 10)	<u>12,800</u>	<u>12,800</u>
	<u>611,443</u>	<u>539,622</u>
NET FINANCIAL ASSETS (DEBT)	<u>1,816,261</u>	<u>1,780,331</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	11,773,597	11,370,835
Prepaid expenses	18,188	8,506
Inventory for consumption	7,081	12,304
Land held for resale	<u>243,116</u>	<u>246,857</u>
	<u>12,041,982</u>	<u>11,638,502</u>
ACCUMULATED SURPLUS (Schedule 1, Note 11)	\$ <u>13,858,243</u>	\$ <u>13,418,833</u>
Contingencies Note 19		

APPROVED ON BEHALF OF THE TOWN COUNCIL:


 _____ Mayor

TOWN OF BASHAW

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
REVENUES			
Net municipal property taxes (Schedule 3)	\$ 786,051	\$ 791,762	\$ 771,493
Government transfers for operating (Schedule 4)	216,500	180,213	243,322
Sales of goods and user fees	625,200	767,831	694,827
Investment income	2,100	7,987	11,724
Rentals	17,621	28,846	20,644
Franchise and concession contracts	62,000	62,434	67,494
Penalties and costs of taxes	25,000	23,569	25,841
Other	12,100	19,825	29,289
Gain on disposal of tangible capital assets	<u>-</u>	<u>-</u>	<u>1,905</u>
Total Revenue	<u>1,746,572</u>	<u>1,882,467</u>	<u>1,866,539</u>
EXPENSES (Schedule 5)			
Legislative	34,405	30,642	29,700
Administration	366,392	373,912	339,412
Fire, ambulance and bylaws enforcement	130,670	110,644	121,151
Roads, streets, walk, lighting	328,799	344,461	316,488
Water and wastewater	446,258	562,985	438,248
Waste management	74,185	74,288	69,638
Family and community support	59,929	59,929	60,829
Subdivision land and development	13,825	18,369	12,125
Public health and welfare	13,452	5,740	5,897
Recreation and parks	234,318	278,650	239,630
Culture	56,339	69,256	77,307
Loss on disposal of tangible capital assets	-	2,320	-
Amortization (Note 20)	<u>-</u>	<u>440,325</u>	<u>424,553</u>
Total Expenses	<u>1,758,572</u>	<u>2,371,521</u>	<u>2,134,978</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER	<u>(12,000)</u>	<u>(489,054)</u>	<u>(268,439)</u>
OTHER			
Government transfers for capital (Schedule 4)	<u>996,894</u>	<u>928,464</u>	<u>324,823</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	984,894	439,410	56,384
ACCUMULATED SURPLUS – BEGINNING OF YEAR	<u>13,418,833</u>	<u>13,418,833</u>	<u>13,362,449</u>
ACCUMULATED SURPLUS – END OF YEAR	<u>\$ 14,403,727</u>	<u>\$ 13,858,243</u>	<u>\$ 13,418,833</u>

TOWN OF BASHAW

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ <u>984,894</u>	\$ <u>439,410</u>	\$ <u>56,384</u>
Acquisition of tangible capital assets	(1,155,926)	(852,587)	(346,941)
Amortization of tangible capital assets	-	440,325	424,553
(Gain) loss on disposal of tangible capital assets	-	2,320	(1,905)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>7,180</u>	<u>7,403</u>
	<u>(1,155,926)</u>	<u>(402,762)</u>	<u>83,110</u>
Inventory used for consumption	-	5,223	(2,976)
Acquisition of prepaid assets	-	(18,188)	(8,506)
Use of prepaid assets	-	8,506	18,506
Cost of land held for resale sold	<u>-</u>	<u>3,741</u>	<u>-</u>
	<u>-</u>	<u>(718)</u>	<u>7,024</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (DEBT)	(171,032)	35,930	146,518
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	<u>1,780,331</u>	<u>1,780,331</u>	<u>1,633,813</u>
NET FINANCIAL ASSETS (DEBT) - END OF YEAR	\$ <u>1,609,299</u>	\$ <u>1,816,261</u>	\$ <u>1,780,331</u>

TOWN OF BASHAW

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess (shortfall) of revenues over expenses	\$ 439,410	\$ 56,384
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	440,325	424,553
Gain/Loss on disposal of tangible capital assets	2,320	(1,905)
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivables	41,930	681
Trade and other receivables	(502,445)	(72,129)
Prepaid expenses	(9,682)	10,000
Inventory for consumption	5,223	(2,976)
Cost of land held for resale sold	3,741	-
Accounts payable and accrued liabilities	5,557	25,251
Deposit liabilities	(500)	(1,089)
Deferred revenue	79,651	81,108
Reclamation liability	<u>-</u>	<u>4,800</u>
Net cash provided by (used in) operating activities	<u>505,530</u>	<u>524,678</u>
CAPITAL ACTIVITIES		
Proceeds on disposal of tangible capital assets	7,180	7,403
Acquisition of tangible capital assets	<u>(852,587)</u>	<u>(346,941)</u>
Net cash provided by (used in) capital activities	<u>(845,407)</u>	<u>(339,538)</u>
INVESTING ACTIVITIES		
Proceeds on disposal of long term investments	-	10
Decrease (increase) in restricted cash and short-term investments	<u>(66,730)</u>	<u>(38,645)</u>
Net cash provided by (used in) investing activities	<u>(66,730)</u>	<u>(38,635)</u>
FINANCING ACTIVITIES		
Due to Highway 12/21 Regional Water Services	<u>(12,887)</u>	<u>(12,329)</u>
Commission - Payments	<u>(12,887)</u>	<u>(12,329)</u>
Net cash provided by (used in) financing activities	<u>(12,887)</u>	<u>(12,329)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(419,494)	134,176
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,542,222</u>	<u>1,408,046</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>1,122,728</u>	<u>1,542,222</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and short term investments (Note 3)	1,228,103	1,580,867
Less: Restricted portion of cash and short term investments (Note 3)	<u>(105,375)</u>	<u>(38,645)</u>
	<u>\$ 1,122,728</u>	<u>\$ 1,542,222</u>

TOWN OF BASHAW

SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE - BEGINNING OF YEAR	\$ <u>1,489,783</u>	\$ <u>558,215</u>	\$ <u>11,370,835</u>	\$ <u>13,418,833</u>	\$ <u>13,362,449</u>
Excess (deficiency) of revenues over expenses	439,410	-	-	439,410	56,384
Restricted funds used for operations	17,000	(17,000)	-	-	-
Restricted funds used for tangible capital assets	-	(38,650)	38,650	-	-
Funds designated for future use	(63,212)	63,212	-	-	-
Current year funds used for tangible capital assets	(813,937)	-	813,937	-	-
Disposal of tangible capital assets	9,500	-	(9,500)	-	-
Annual amortization expense	<u>440,325</u>	<u>-</u>	<u>(440,325)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>29,086</u>	<u>7,562</u>	<u>402,762</u>	<u>439,410</u>	<u>56,384</u>
BALANCE - END OF YEAR	\$ <u>1,518,869</u>	\$ <u>565,777</u>	\$ <u>11,773,597</u>	\$ <u>13,858,243</u>	\$ <u>13,418,833</u>

TOWN OF BASHAW

SCHEDULE 2 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021

		Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2021	2020
COST:									
BALANCE - BEGINNING OF YEAR	\$	200,267	\$ 114,510	\$ 4,194,835	\$ 14,601,588	\$ 1,129,409	\$ 205,906	\$ 20,446,515	\$ 20,164,137
Acquisition of tangible capital assets		-	-	-	813,937	14,750	23,900	852,587	346,942
Disposal of tangible capital assets		-	-	-	-	(26,616)	(24,011)	(50,627)	(64,564)
BALANCE - END OF YEAR		<u>200,267</u>	<u>114,510</u>	<u>4,194,835</u>	<u>15,415,525</u>	<u>1,117,543</u>	<u>205,795</u>	<u>21,248,475</u>	<u>20,446,515</u>
ACCUMULATED AMORTIZATION:									
BALANCE - BEGINNING OF YEAR		-	38,473	1,247,620	7,020,685	649,458	119,444	9,075,680	8,710,192
Annual amortization		-	6,635	82,684	279,650	62,194	9,162	440,325	424,553
Accumulated amortization on disposals		-	-	-	-	(23,616)	(17,511)	(41,127)	(59,065)
BALANCE - END OF YEAR		<u>-</u>	<u>45,108</u>	<u>1,330,304</u>	<u>7,300,335</u>	<u>688,036</u>	<u>111,095</u>	<u>9,474,878</u>	<u>9,075,680</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$	<u>200,267</u>	<u>\$ 69,402</u>	<u>\$ 2,864,531</u>	<u>\$ 8,115,190</u>	<u>\$ 429,507</u>	<u>\$ 94,700</u>	<u>\$ 11,773,597</u>	<u>\$ 11,370,835</u>
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$	<u>200,267</u>	<u>\$ 76,037</u>	<u>\$ 2,947,215</u>	<u>\$ 7,580,903</u>	<u>\$ 479,951</u>	<u>\$ 86,462</u>	<u>\$ 11,370,835</u>	

TOWN OF BASHAW

SCHEDULE 3 – PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	\$ 954,090	\$ 954,091	\$ 930,531
Linear property taxes	40,408	40,408	39,660
Government grants in lieu of property taxes	<u>19,218</u>	<u>19,218</u>	<u>19,430</u>
	<u>1,013,716</u>	<u>1,013,717</u>	<u>989,621</u>
REQUISITIONS			
Alberta School Foundation Fund	227,258	221,548	217,731
Camrose Seniors' Foundation	<u>407</u>	<u>407</u>	<u>397</u>
	<u>227,665</u>	<u>221,955</u>	<u>218,128</u>
NET MUNICIPAL TAXES	\$ <u>786,051</u>	\$ <u>791,762</u>	\$ <u>771,493</u>

TOWN OF BASHAW

SCHEDULE 4 – GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Federal government	\$ -	\$ -	\$ 4,200
Provincial government	122,294	89,498	133,422
Local government	94,206	90,715	96,460
Individuals and organizations	<u>-</u>	<u>-</u>	<u>9,240</u>
	<u>216,500</u>	<u>180,213</u>	<u>243,322</u>
TRANSFERS FOR CAPITAL			
Federal government	366,730	361,952	11,827
Individuals and organizations	-	-	38,962
Provincial government	<u>630,164</u>	<u>566,512</u>	<u>274,034</u>
	<u>996,894</u>	<u>928,464</u>	<u>324,823</u>
TOTAL GOVERNMENT TRANSFERS	\$ <u>1,213,394</u>	\$ <u>1,108,677</u>	\$ <u>568,145</u>

SCHEDULE 5 –EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 644,931	\$ 622,424	\$ 621,153
Contracted and general services	426,651	519,410	442,128
Materials, goods, supplies and utilities	600,270	687,084	544,181
Transfers to individuals, organizations and boards	80,319	78,126	87,246
Loss on disposal of tangible capital assets	-	2,320	-
Bank charges and interest	700	12,556	13,125
Amortization of tangible capital assets (Note 20)	-	440,325	424,553
Other expenditures	<u>5,701</u>	<u>9,276</u>	<u>2,592</u>
	<u>\$ 1,758,572</u>	<u>\$ 2,371,521</u>	<u>\$ 2,134,978</u>

TOWN OF BASHAW

SCHEDULE 6 - SEGMENTED DISCLOSURE

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Government	Protective Services	Transportation Services	Environmental use & Protection	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal taxes	\$ 791,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 791,762
Government transfers	64,944	33,479	-	873,142	51,790	-	85,322	1,108,677
Sales of goods and user fees	3,040	49,665	-	626,127	3,745	54,762	30,492	767,831
Investment income	7,987	-	-	-	-	-	-	7,987
Franchise fees	62,434	-	-	-	-	-	-	62,434
Other revenues	<u>48,063</u>	<u>11,739</u>	<u>2,521</u>	<u>1,435</u>	<u>-</u>	<u>6,684</u>	<u>1,798</u>	<u>72,240</u>
	<u>978,230</u>	<u>94,883</u>	<u>2,521</u>	<u>1,500,704</u>	<u>55,535</u>	<u>61,446</u>	<u>117,612</u>	<u>2,810,931</u>
EXPENSES								
Contracted and general services	129,769	53,899	26,537	128,426	1,989	10,654	168,136	519,410
Salaries, wages and benefits	253,445	43,561	142,173	88,542	2,978	-	91,725	622,424
Materials, goods, supplies and utilities	9,664	13,184	175,750	404,801	773	3,963	78,949	687,084
Transfers - individuals, organizations, boards	5,565	-	-	3,535	59,929	-	9,097	78,126
Other expenditures	<u>6,110</u>	<u>-</u>	<u>-</u>	<u>14,291</u>	<u>3,751</u>	<u>-</u>	<u>-</u>	<u>24,152</u>
	<u>404,553</u>	<u>110,644</u>	<u>344,460</u>	<u>639,595</u>	<u>69,420</u>	<u>14,617</u>	<u>347,907</u>	<u>1,931,196</u>
NET REVENUE - BEFORE AMORTIZATION	<u>573,677</u>	<u>(15,761)</u>	<u>(341,939)</u>	<u>861,109</u>	<u>(13,885)</u>	<u>46,829</u>	<u>(230,295)</u>	<u>879,735</u>
Amortization of tangible capital assets	<u>(14,077)</u>	<u>-</u>	<u>(206,721)</u>	<u>(122,383)</u>	<u>-</u>	<u>(894)</u>	<u>(96,250)</u>	<u>(440,325)</u>
NET REVENUE	<u>559,600</u>	<u>(15,761)</u>	<u>(548,660)</u>	<u>738,726</u>	<u>(13,885)</u>	<u>45,935</u>	<u>(326,545)</u>	<u>439,410</u>
2020 NET REVENUE	<u>\$ 630,452</u>	<u>\$ (43,187)</u>	<u>\$ (239,350)</u>	<u>\$ (38,448)</u>	<u>\$ (9,515)</u>	<u>\$ 13,708</u>	<u>\$ (257,276)</u>	<u>\$ 56,384</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies adopted as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all the organizations that are owned or controlled by the town and are, therefore, accountable to the council for the administration of their financial affairs and resources.

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

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

(b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenditures in the period the goods and services are acquired and a liability is incurred or transfers are due with the exception of pension expenditures as disclosed in Note 1(g).

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

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

(c) Use of Estimates

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

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Use of Estimates - Continued

The value of long-term investments is subject to measurement uncertainty. To estimate the amount of allowance for impairment, the cost of the investment was compared to the amount reasonably possible to be received upon disposal.

An area requiring the use of management's estimates was the reclamation liability. The liability is in relation to costs associated with reclaiming a gravel pit. The amount of the liability was determined by estimating the cost to the town of hiring third party contractors to perform the reclamation. Any changes in assumptions or value of services could result in the understatement of the liability.

Amortization is based on the estimated useful lives of property and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(d) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

(e) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

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

(f) Contaminated Sites Liability

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

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) 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 revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

(h) Pension Expenditure

The town participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Contributions for current and past service pension benefits are recorded as expenditures in the year in which they become due.

(i) Taxes and Grants in Place of Taxes Receivables

Current and arrears taxes and grants in place of taxes receivables consist of current tax levies and tax levies of prior years which remain outstanding at December 31st.

(j) Investments

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(k) Land for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. 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.

(l) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, accounts with banks and short-term, highly liquid investments.

(m) Allowances for Operating Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the operating fund.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

(n) Requisition Over-levies and Under-levies

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

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

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

(o) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

(i) Tangible Capital Assets

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

	YEARS
Buildings	25-50
Engineered structures	
Roadway system	20-30
Water system	45-75
Wastewater system	45-75
Other engineered structures	75
Machinery and equipment	5-40
Vehicles	10-25

The annual amortization charge in the year of acquisition and in the year of disposal is pro-rated based on the number of days that the asset was owned during the year. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of Tangible Capital Assets

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

(iii) Inventories

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

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2. ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

The following accounting standards have been issued by the Chartered Professional Accountants of Canada but are not yet effective. Management is currently evaluating the effect of adopting these standards on the financial statements.

- (a) Section PS 1201 - Financial Statement Presentation
This section provides guidance on general reporting principles and disclosure of information in financial statements. Effective for the fiscal years beginning on or after April 1, 2022.
- (b) Section PS 2601 - Foreign Currency Translation
This section establishes standards on how to account for and report transactions that are denominated in foreign currency. Effective for the fiscal years beginning on or after April 1, 2022.
- (c) Section PS 3041 - Portfolio Investments
This section establishes standards on how to account for and report portfolio investments in government financial statements. Effective for the fiscal years beginning on or after April 1, 2022.
- (d) Section PS 3050 – Loans Receivable
This section establishes standards on how to account for and report loans receivable in government financial statements. The standards apply to loans to borrowers outside of the government reporting entity. Effective for the fiscal years beginning on or after April 1, 2022.
- (e) Section PS 3160 – Public Private Partnerships
This section establishes standards on accounting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner. Effective for the fiscal years beginning on or after April 1, 2023.
- (f) Section PS 3450 – Financial Instruments
This section establishes guidance on the recognition, measurement and disclosure requirements for financial instruments. Effective for the fiscal years beginning on or after April 1, 2022.
- (g) Section PS 3280 – Asset Retirement Obligations
This section establishes standards on how to account for a liability for retirement of a tangible capital asset. Effective for the fiscal years beginning on or after April 1, 2022.
- (h) Section PS 3400 – Revenue
This new section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. Effective for the fiscal years beginning on or after April 1, 2023.
- (i) Section PSG – 8 – Purchased Intangibles
This section establishes standards on how to recognize and record purchased intangibles that meet the definition of an asset. Effective for the fiscal years beginning on or after April 1, 2023.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

3. CASH AND SHORT TERM INVESTMENTS

	2021	2020
Cash	\$ 278,283	\$ 635,779
Short term investments	<u>949,820</u>	<u>945,088</u>
	<u>\$ 1,228,103</u>	<u>\$ 1,580,867</u>

Short term investments are valued at cost and are deposits maturing January 2022. The interest rates are at 0.4%.

Council has designated funds of \$565,777 (2020 - \$558,215) included in the above amounts for restricted surplus.

Included in the above are the restricted amounts of \$98,448 (2020 - \$ 38,645) of deferred grant funding, \$6,927 (2020 - \$ NIL) of tax recovery funds.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2021	2020
Current taxes and grants in place of taxes	\$ 66,584	\$ 95,695
Arrears taxes and grants in place of taxes	<u>22,845</u>	<u>35,664</u>
	<u>\$ 89,429</u>	<u>\$ 131,359</u>

5. TRADE AND OTHER RECEIVABLES

	2021	2020
Alberta Municipal Water/Wastewater Partnership grant	\$ 150,329	\$ -
Federal Gas Tax grant	100,000	50,000
GST	26,694	13,155
Investing in Canada Infrastructure grant (ICIP)	286,090	-
Municipal Climate Change rebate	-	28,962
Other	29,365	10,575
Receivable from other government	39,966	36,954
Utilities	<u>103,733</u>	<u>94,086</u>
	<u>\$ 736,177</u>	<u>\$ 233,732</u>

6. LONG-TERM INVESTMENTS

	2021	2020
Highway 12/21 Regional Water Services Commission	\$ <u>373,995</u>	\$ <u>373,995</u>

The town is a member of the Highway 12/21 Regional Water Services Commission. The investment represents the cost of their investment in the commission.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

7. TRUST FUNDS

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

	2021	2020
Balance – end of year	\$ <u>6,927</u>	\$ <u>-</u>

This amount is included in accounts payable.

8. DEFERRED REVENUE

	2021	2020
Federal Gas Tax	\$ 62,311	\$ 38,173
Municipal Operating Support Transfer	-	38,645
Municipal Stimulus program	40,839	-
Municipal Sustainability Initiative – capital	22,813	-
Municipal Sustainability Initiative – operating	34,796	-
Police Funding Surplus	-	4,290
	\$ <u>160,759</u>	\$ <u>81,108</u>

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

	2021	2020
Payable to Highway 12/21 Regional Water Services Commission, due \$7,189 semi-annually including interest at 5.24%, maturing Dec. 2033	\$ 126,881	\$ 134,316
Payable to Highway 12/21 Regional Water Services Commission, due \$1,387 semi-annually including interest at 4.59% maturing Dec 2034	26,937	28,424
Payable to Highway 12/21 Regional Water Services Commission, due \$1,326 semi-annually including interest at 2.94%, maturing June 2040	37,611	39,122
Payable to Highway 12/21 Regional Water Services Commission, due \$2,528 semi-annually including interest at 3.132%, maturing March 2044	<u>81,218</u>	<u>83,672</u>
	\$ <u>272,647</u>	\$ <u>285,534</u>

Principal and interest repayments are as follows:

	Principal	Interest	Total
2022	\$ 13,474	\$ 11,385	\$ 24,859
2023	14,088	10,771	24,859
2024	14,731	10,128	24,859
2025	15,405	9,454	24,859
2026	16,111	8,748	24,859
Thereafter	<u>198,838</u>	<u>48,261</u>	<u>247,099</u>
	\$ <u>272,647</u>	\$ <u>98,747</u>	\$ <u>371,394</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

10. RECLAMATION LIABILITY

The town has an obligation to reclaim a gravel pit. The amount recorded is an estimate made by management of the costs associated with reclamation.

11. ACCUMULATED SURPLUS

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

	2021	2020
Unrestricted surplus (deficit)	\$ 1,518,869	\$ 1,489,783
Equity in tangible capital assets (Note 13)	11,773,597	11,370,835
Restricted surplus (Note 12)	<u>565,777</u>	<u>558,215</u>
	<u>\$ 13,858,243</u>	<u>\$ 13,418,833</u>

12. RESTRICTED SURPLUS

	2020	Increases	Decreases	2021
Restricted for Operating:				
Administration	\$ 10,536	\$ -	\$ -	\$ 10,536
Cemetery	22,102	-	-	22,102
Culture	3,644	-	-	3,644
Fire	6,206	8,450	-	14,656
Parks	14,276	-	-	14,276
Recreation	-	5,000	5,000	-
Roads and streets	7,843	12,000	12,000	7,843
Water	8,440	-	-	8,440
Waste water	<u>5,645</u>	<u>-</u>	<u>-</u>	<u>5,645</u>
	<u>78,692</u>	<u>25,450</u>	<u>17,000</u>	<u>87,142</u>
Restricted for Capital:				
Administration	35,802	-	-	35,802
Airport	5,706	-	-	5,706
Cemetery	10,544	-	-	10,544
Culture	31,738	-	-	31,738
Emergency services	4,684	-	-	4,684
Parks	30,795	-	-	30,795
Recreation	8,295	-	5,000	3,295
Roads, streets and equipment	61,357	-	50,650	10,707
Subdivision, land and development	143,330	54,762	70,400	127,692
Tourism	3,659	-	-	3,659
Water infrastructure	111,692	-	-	111,692
Wastewater infrastructure	<u>31,921</u>	<u>70,400</u>	<u>-</u>	<u>102,321</u>
	<u>479,523</u>	<u>125,162</u>	<u>126,050</u>	<u>478,635</u>
Total	<u>\$ 558,215</u>	<u>\$ 150,612</u>	<u>\$ 143,050</u>	<u>\$ 565,777</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

13. EQUITY IN TANGIBLE CAPITAL ASSETS

	2021	2020
Tangible capital assets (Schedule 2)	\$ 21,248,475	\$ 20,446,515
Accumulated amortization (Schedule 2)	<u>(9,474,878)</u>	<u>(9,075,680)</u>
	<u>\$ 11,773,597</u>	<u>\$ 11,370,835</u>

14. SALARY & BENEFITS DISCLOSURE

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

	2021			2020
	Salary(1)	Benefits Allowances(2)	Total	Total
Rob McDonald, Mayor	\$ 4,513	\$ 324	\$ 4,837	\$ 4,499
Cindy Orom, councillor	875	53	928	-
Bryan Gust, councillor	875	53	928	-
Jackie Northey, councillor	875	53	928	-
Kyle McIntosh, councillor	875	53	928	-
Penny Shantz, Mayor (former)	4,513	41	4,554	5,749
Darren Pearson, councillor (former)	3,325	254	3,579	4,499
Rosella Peterman, councillor (former)	3,325	41	3,366	4,249
Lynn Schultz, councillor (former)	1,400	16	1,416	4,249
Theresa Fuller, CAO	\$ 100,895	\$ 21,049	\$ 121,944	\$ 122,350

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Bashaw participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 275,863 people and about 433 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

15. LOCAL AUTHORITIES PENSION PLAN

The Town of Bashaw is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.84% for the excess. Employees of the Town of Bashaw are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current and past service contributions by the Town of Bashaw to the Local Authorities Pension Plan in 2021 were \$35,408 (2020 - \$40,856). Total current and past service contributions by the employees of the Town of Bashaw to the Local Authorities Pension Plan in 2021 were \$31,895 (2020 - \$36,856).

At December 31, 2020, the Plan disclosed an actuarial surplus of \$5.0 billion.

16. DEBT LIMITS

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

	2021	2020
Total debt limit	\$ 2,823,701	\$ 2,858,252
Total debt	<u>-</u>	<u>-</u>
Total debt limit available	<u>2,823,701</u>	<u>2,858,252</u>
Debt service limit	470,617	476,375
Debt service	<u>-</u>	<u>-</u>
Debt service limit available	<u>\$ 470,617</u>	<u>\$ 476,375</u>

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

17. FINANCIAL INSTRUMENTS

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

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

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

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

17. FINANCIAL INSTRUMENTS - Continued

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that the town is not exposed to significant currency or other price risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. The carrying value of accounts receivable reflects management's assessment of credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The town has fixed rate investments and long-term debt which are subject to fair value risk, as the value will fluctuate as a result of changes in market rates.

Operating Lines of Credit

At December 31, 2021 the town had short-term credit card lines of credit aggregating \$10,000 (2020 - \$10,000) of which \$NIL (2020 - \$NIL) had been drawn down. The credit cards bear interest at 16.99%.

18. COMMITMENTS

The town is a member of the Highway 12/21 Regional Water Services Commission and are a related party. The town has entered into a 25 year agreement to receive water, expiring September 2042. The town purchased water from the commission during the year in the amount of \$302,484 (2020 - \$247,561). Included in accounts payable is \$30,669 (2020 - \$22,964) due to the commission.

Amounts are recorded at exchange amount which is the amount agreed to by the parties.

The town is a member of a waste management authority. As such, they could be subject to additional requisitions for future site and post-closure care obligations of the landfill. The town is a party to a waste disposal agreement with Camrose County, which expires June 30, 2024. The town has agreed to pay \$18 per tonne.

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

18. COMMITMENTS - Continued

The town is party to a shared fire protection services funding agreement with three other municipalities. Under the agreement they are responsible for their share of the costs of fire protection.

The town has an agreement in place, effective July 1, 2020, for guaranteed professional maintenance for the Bashaw Arena and Curling Rink. The town has agreed to pay \$25,892 per year (\$2,158 per month) and the agreement shall continue in effect from year to year unless either party gives written notice of intention not to renew at least 30 days prior to anniversary date.

19. CONTINGENCIES

The town has guaranteed a bank loan of the Bashaw Golf and Country Club. As of December 31, 2021 \$152,048 (2020 - \$171,143) is owing on the loan. The maximum amount guaranteed is \$250,000.

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

20. AMORTIZATION

Amortization is a non-cash expense and is allocated to the different functions as follows:

	2021	2020
Administration	\$ 14,077	\$ 11,284
Fire, ambulance and bylaws enforcement	4,897	5,287
Roads, streets, walk, lighting	201,173	191,604
Water and wastewater	122,383	120,247
Recreation and parks	24,406	22,742
Culture	71,844	71,844
Other	1,545	1,545
	<u>\$ 440,325</u>	<u>\$ 424,553</u>

TOWN OF BASHAW

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

21. SEGMENTED DISCLOSURE

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

General government includes council and other legislative, and general administration. Protective services includes bylaw enforcement, police and fire. Transportation includes roads, streets, walks, lighting and airport. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Planning and development includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support. Recreation and culture includes parks and recreation, libraries, museums and halls.

Refer to the Schedule 6 – Segmented Disclosure.

22. BUDGET AMOUNTS

Budget figures for the year ended December 31, 2021 are for information purposes only and have not been audited.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.