

VILLAGE OF DUCHESS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Independent Auditors' Report

TO THE MAYOR AND COUNCIL OF THE VILLAGE OF DUCHESS

Opinion

We have audited the accompanying financial statements of the Village of Duchess, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets and cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Village of Duchess as at December 31, 2018, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Village of Duchess 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 accounting standards for private enterprises, 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 Village of Duchess' 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 Village of Duchess or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village of Duchess' financial reporting process.

Auditors' Responsibility 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 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 non-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 non-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 Company'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 Company'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 non-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 Village of Duchess 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 provided 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.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Village of Duchess' debt limit can be found in note 7.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and not the information required can be found in note 12.

Johnston Morrison Hunter & Co. Professional Corporation

Chartered Professional Accountants

**Brooks, Alberta
April 8, 2019**

VILLAGE OF DUCHESS

**Statement of Financial Position
December 31, 2018**

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	1,735,073	1,772,475
Taxes receivable (Note 3)	52,082	69,893
Trade and other receivables	144,678	162,079
Land held for resale	194,050	194,050
Investments (Note 4)	20	20
TOTAL FINANCIAL ASSETS	<u>2,125,903</u>	<u>2,198,517</u>
LIABILITIES		
Accounts payable and accrued liabilities	101,333	62,380
Deferred revenue (Note 5)	237,546	499,752
TOTAL LIABILITIES	<u>338,879</u>	<u>562,132</u>
NET FINANCIAL ASSETS (DEBT)	<u>1,787,024</u>	<u>1,636,385</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	15,779,400	16,172,975
Prepaid expenses	34,183	35,908
	<u>15,813,583</u>	<u>16,208,883</u>
ACCUMULATED SURPLUS (NOTE 10)	<u>17,600,607</u>	<u>17,845,268</u>

VILLAGE OF DUCHESS

Statement of Operations
For The Year Ended December 31, 2018

	Budget	2018	2017
	\$	\$	\$
REVENUE			
Net taxes, Schedule 3	773,523	774,469	779,270
Government transfers, Schedule 4	257,218	229,289	205,507
Investment income	22,500	30,447	18,209
User fees and sale of goods	658,525	681,655	659,403
Penalties and costs on taxes	18,000	19,732	21,076
Franchise and concession contracts	113,300	109,678	101,917
Other	500	2,950	3,300
Total Revenue	1,843,566	1,848,220	1,788,682
EXPENSES			
Operating			
Legislative	29,600	34,938	24,421
Administration	283,691	275,734	267,648
Fire, ambulance and bylaws enforcement	187,343	515,667	220,853
Roads, streets, walks and lighting, and storm	507,689	524,942	482,390
Water and wastewater	542,668	532,864	478,668
Waste management	127,330	119,134	106,432
Parks and recreation	513,461	502,390	502,645
Planning and development	102,484	72,523	76,585
Total Expenses	2,294,266	2,578,192	2,159,642
EXCESS OF EXPENSES OVER REVENUE			
BEFORE OTHER, Schedule 6	(450,700)	(729,972)	(370,960)
OTHER			
Government transfers for capital, Schedule 4	754,283	485,311	432,599
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	303,583	(244,661)	61,639
ACCUMULATED SURPLUS, BEGINNING OF YEAR	17,845,268	17,845,268	17,783,629
ACCUMULATED SURPLUS, END OF YEAR, Schedule 1	18,148,851	17,600,607	17,845,268

VILLAGE OF DUCHESS

**Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2018**

	Budget	2018	2017
	\$	\$	\$
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	303,583	(244,661)	61,639
Acquisition of tangible capital assets	(929,283)	(541,306)	(598,159)
Proceeds on disposal of tangible capital assets	-	-	3,178
Loss on disposal of tangible capital assets	-	333,300	(1,618)
Amortization of tangible capital assets	601,500	601,581	604,088
	(327,783)	393,575	7,489
Acquisition of prepaid expenses	-	(34,183)	(35,908)
Use of prepaid assets	-	35,908	35,688
	-	1,725	(220)
(DECREASE) INCREASE IN NET ASSETS	(24,200)	150,639	68,908
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,636,385	1,636,385	1,567,477
NET FINANCIAL ASSETS, END OF YEAR	1,612,185	1,787,024	1,636,385

VILLAGE OF DUCHESS

Statement of Cash Flows
For The Year Ended December 31, 2018

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	(244,661)	61,639
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	601,581	604,088
Loss (gain) on disposal of tangible capital assets	333,300	(1,618)
Non-cash charges to operations (net change):		
Decrease in taxes receivable	17,811	4,495
Decrease (increase) in trade and other receivables	17,401	(11,665)
Increase in accounts payable and accrued liabilities	38,953	27,165
(Decrease) increase in deferred revenue	(262,206)	227,140
Decrease (increase) in prepaid expenses	1,725	(220)
CASH PROVIDED BY OPERATING TRANSACTIONS	<u>503,904</u>	<u>911,024</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(541,306)	(598,159)
Proceeds on sale of tangible capital assets	-	3,178
CASH APPLIED TO CAPITAL TRANSACTIONS	<u>(541,306)</u>	<u>(594,981)</u>
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash or cash equivalents	254,020	(362,416)
CASH APPLIED TO INVESTING TRANSACTIONS	<u>254,020</u>	<u>(362,416)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	216,618	(46,373)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,308,333</u>	<u>1,354,706</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,524,951</u>	<u>1,308,333</u>
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 2)	1,735,073	1,772,475
Less: restricted portion of cash and temporary investments	(210,122)	(464,142)
	<u>1,524,951</u>	<u>1,308,333</u>

VILLAGE OF DUCHESS

Schedule of Changes in Accumulated Surplus For The Year Ended December 31, 2018 Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	\$	\$	\$	\$	\$
Revenue:					
Balance, beginning of year	973,254	699,039	16,172,975	17,845,268	17,783,629
Excess (deficiency) of revenues over expenses	(244,661)	-	-	(244,661)	61,639
Unrestricted funds designated for future use	(83,999)	83,999	-	-	-
Current year funds used for tangible capital assets	(541,306)	-	541,306	-	-
Disposal of tangible capital assets	333,300	-	(333,300)	-	-
Annual amortization expense	601,581	-	(601,581)	-	-
Change in accumulated surplus	64,915	83,999	(393,575)	(244,661)	61,639
Balance, end of year	1,038,169	783,038	15,779,400	17,600,607	17,845,268

VILLAGE OF DUCHESS
Schedule of Tangible Capital Assets
For The Year Ended December 31, 2018
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Balance, beginning of year	1,086,014	1,559,133	4,397,681	14,852,805	819,038	1,355,109	24,069,780	23,531,080
Acquisition of tangible capital assets	-	-	-	67,206	15,623	-	82,829	598,159
Construction-in-progress	-	-	458,477	-	-	-	458,477	-
Disposal of tangible capital assets	-	-	-	-	-	(371,234)	(371,234)	(48,773)
Write down of tangible capital assets	-	-	-	-	-	-	-	(10,686)
Balance, end of year	<u>1,086,014</u>	<u>1,559,133</u>	<u>4,856,158</u>	<u>14,920,011</u>	<u>834,661</u>	<u>983,875</u>	<u>24,239,852</u>	<u>24,069,780</u>
Accumulated Amortization:								
Balance, beginning of year	-	300,700	381,739	6,413,427	378,449	422,490	7,896,805	7,350,615
Annual amortization	-	64,899	87,953	347,101	62,042	39,586	601,581	604,088
Accumulated amortization on disposals	-	-	-	-	-	(37,934)	(37,934)	(47,212)
Accumulated amortization on write downs	-	-	-	-	-	-	-	(10,686)
Balance, end of year	<u>-</u>	<u>365,599</u>	<u>469,692</u>	<u>6,760,528</u>	<u>440,491</u>	<u>424,142</u>	<u>8,460,452</u>	<u>7,896,805</u>
Net Book Value of Tangible Capital Assets	<u>1,086,014</u>	<u>1,193,534</u>	<u>4,386,466</u>	<u>8,159,483</u>	<u>394,170</u>	<u>559,733</u>	<u>15,779,400</u>	<u>16,172,975</u>

VILLAGE OF DUCHESS

**Schedule of Property And Other Taxes
For The Year Ended December 31, 2018
Schedule 3**

	Budget	2018	2017
	\$	\$	\$
TAXATION			
Real property taxes	1,037,036	1,037,983	1,041,093
Power, pipe, cable T.V. and other taxes	19,275	19,275	18,814
	<u>1,056,311</u>	<u>1,057,258</u>	<u>1,059,907</u>
REQUISITIONS			
Alberta school foundation fund	261,918	261,919	259,624
Newell seniors foundation	20,870	20,870	21,013
	<u>282,788</u>	<u>282,789</u>	<u>280,637</u>
NET TAXES	<u>773,523</u>	<u>774,469</u>	<u>779,270</u>

VILLAGE OF DUCHESS

Schedule of Government Transfers
For The Year Ended December 31, 2018
Schedule 4

	Budget	2018	2017
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	151,265	123,706	123,136
Other local governments	105,953	105,583	82,371
	<u>257,218</u>	<u>229,289</u>	<u>205,507</u>
TRANSFERS FOR CAPITAL			
Provincial government	754,283	485,311	148,839
Other local government	-	-	283,760
	<u>754,283</u>	<u>485,311</u>	<u>432,599</u>
TOTAL GOVERNMENT TRANSFERS	<u>1,011,501</u>	<u>714,600</u>	<u>638,106</u>

VILLAGE OF DUCHESS

Schedule of Expenses by Object
For The Year Ended December 31, 2018
Schedule 5

	Budget	2018	2017
	\$	\$	\$
EXPENDITURES			
Salaries, wages and benefits	597,437	614,222	598,394
Contracted and general services	364,414	333,818	266,126
Materials, goods and utilities	575,259	541,137	534,434
Transfers to local boards and agencies	153,156	151,537	154,269
Bank charges and short-term interest	2,500	2,597	2,331
Loss on disposal of tangible capital assets	-	333,300	-
Amortization of tangible capital assets	601,500	601,581	604,088
TOTAL EXPENDITURES	2,294,266	2,578,192	2,159,642

VILLAGE OF DUCHESS
Schedule of Segmented Disclosure
For The Year Ended December 31, 2018
Schedule 6

	General Government	Protective Services	Transportation Services	Waste Management	Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue:							
Net municipal taxes	774,469	-	-	-	-	-	774,469
Government transfers	458,476	58,850	26,835	6,500	97,666	66,273	714,600
Investment income	30,447	-	-	-	-	-	30,447
User fees and sale of goods	12,825	11,710	7,540	543,807	105,773	-	681,655
Penalties and cost of taxes	19,732	-	-	-	-	-	19,732
Franchise and concession contracts	109,678	-	-	-	-	-	109,678
Other revenues	450	-	-	-	2,500	-	2,950
	<u>1,406,077</u>	<u>70,560</u>	<u>34,375</u>	<u>550,307</u>	<u>205,939</u>	<u>66,273</u>	<u>2,333,531</u>
Expenses:							
Salaries & wages	168,131	34,040	130,950	115,623	165,478	-	614,222
Contract & general services	63,098	38,712	60,247	73,287	25,951	72,523	333,818
Materials, goods and utilities	54,762	50,342	112,977	247,208	75,848	-	541,137
Transfers to local boards and agencies	7,834	7,793	1,524	44,800	89,586	-	151,537
Bank charges and short-term interest	2,597	-	-	-	-	-	2,597
	<u>296,422</u>	<u>130,887</u>	<u>305,698</u>	<u>480,918</u>	<u>356,863</u>	<u>72,523</u>	<u>1,643,311</u>
Net revenue, before amortization	<u>1,109,655</u>	<u>(60,327)</u>	<u>(271,323)</u>	<u>69,389</u>	<u>(150,924)</u>	<u>(6,250)</u>	<u>690,220</u>
Loss on disposal of tangible capital assets	-	(333,300)	-	-	-	-	(333,300)
Amortization expense	<u>(14,250)</u>	<u>(51,481)</u>	<u>(219,243)</u>	<u>(171,080)</u>	<u>(145,527)</u>	<u>-</u>	<u>(601,581)</u>
Net Revenue	<u><u>1,095,405</u></u>	<u><u>(445,108)</u></u>	<u><u>(490,566)</u></u>	<u><u>(101,691)</u></u>	<u><u>(296,451)</u></u>	<u><u>(6,250)</u></u>	<u><u>(244,661)</u></u>

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2018

1. Significant Accounting Policies

The financial statements of the Village of Duchess are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Village of Duchess are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and change in financial position of the Village of Duchess.

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.

Basis of Accounting

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

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

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

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenditures 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.

Cash and Cash Equivalents

The Village's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

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 investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

VILLAGE OF DUCHESS

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

Requisition Over-Levy and Under-Levy

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.

Inventories 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 leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, road, sidewalks and street lighting are recorded as capital assets under their respective function.

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

Government Transfers

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

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

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.

VILLAGE OF DUCHESS

**Notes to the Financial Statements
 For The Year Ended December 31, 2018**

1. Significant Accounting Policies (Continued)

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 consolidated Change in Net Financial Assets (Debt) for the year.

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
Land improvements	15-20
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Roadway systems	10-30
Storm systems	45-75
Machinery and equipment	5-25
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

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.

Contaminated Site 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.

VILLAGE OF DUCHESS

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

1. Significant Accounting Policies (Continued)

Measurement of Financial Instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and temporary investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. Cash and Temporary Investments

	2018	2017
	\$	\$
Cash	35,782	246,882
Temporary investments	<u>1,699,291</u>	<u>1,525,593</u>
	<u><u>1,735,073</u></u>	<u><u>1,772,475</u></u>

Temporary investments are short-term savings accounts bearing interest at 2.30% and are cashable on demand.

Included in cash is a restricted amount of \$210,122 (2017 - \$464,142) received from external sources and held exclusively for capital & operating projects .

VILLAGE OF DUCHESS

Notes to the Financial Statements
For The Year Ended December 31, 2018

3. Taxes Receivable

	2018	2017
	\$	\$
Current taxes	46,490	58,357
Non-current taxes	<u>5,592</u>	<u>11,536</u>
	<u><u>52,082</u></u>	<u><u>69,893</u></u>

4. Investments

	2018	2017
	\$	\$
A.M.F.C.	10	10
Newell Regional Services Corporation, common shares	<u>10</u>	<u>10</u>
	<u><u>20</u></u>	<u><u>20</u></u>

5. Deferred Revenue

	2018	2017
	\$	\$
Alberta conditional grants	210,122	464,142
Deferred property taxes	<u>27,424</u>	<u>35,610</u>
	<u><u>237,546</u></u>	<u><u>499,752</u></u>

Conditional grants in the amount of \$210,122 (2017 - \$464,142) were received from external sources and have not been expended in the current year.

The use of the conditional grants are restricted to eligible capital and operating projects, as approved under the funding agreements, scheduled for completion in 2019. Unexpended funds related to the conditional grants are supported by cash and temporary investments of \$210,122 .

6. Contaminated Sites Liability

On January 1, 2015, the village adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the village. There were no adjustments in 2018.

VILLAGE OF DUCHESS

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

7. 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 Village of Duchess be disclosed as follows:

	2018	2017
	\$	\$
Total debt limit	<u>2,772,330</u>	<u>2,683,023</u>
Amount of debt limit unused	<u>2,772,330</u>	<u>2,683,023</u>
Debt servicing limit	<u>462,055</u>	<u>447,170</u>
Amount of debt servicing limit unused	<u>462,055</u>	<u>447,170</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.

8. Tangible Capital Assets

	2018	2017
Net Book Value	\$	\$
Land	1,086,014	1,086,014
Land Improvements	1,193,534	1,258,433
Buildings	4,386,466	4,015,943
Engineered Structures		
Water system	1,667,557	1,712,075
Wastewater system	3,522,444	3,635,844
Roadway system	2,505,661	2,619,681
Storm system	463,820	471,777
Machinery and equipment	394,170	440,589
Vehicles	<u>559,734</u>	<u>932,619</u>
	<u>15,779,400</u>	<u>16,172,975</u>

9. Equity in Capital Assets

	2018	2017
	\$	\$
Tangible capital assets, Schedule 2	24,240,752	24,069,780
Accumulated amortization, Schedule 2	<u>(8,461,352)</u>	<u>(7,896,805)</u>
	<u>15,779,400</u>	<u>16,172,975</u>

VILLAGE OF DUCHESS

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

10. Accumulated Surplus

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

	2018	2017
	\$	\$
Unrestricted surplus	1,038,169	973,254
Restricted surplus		
Capital	753,481	606,077
General operations	29,557	92,962
Equity in tangible capital assets	<u>15,779,400</u>	<u>16,172,975</u>
	<u>17,600,607</u>	<u>17,845,268</u>

11. Segmented Disclosure

The 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).

12. 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:

	2018			2017
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Mayor	5,850	453	6,303	3,616
Councillor 1	4,650	420	5,070	4,215
Councillor 2	4,450	393	4,843	2,005
Councillor 3	4,200	404	4,604	4,418
Councillor 4	4,400	413	4,813	5,831
Municipal administrator	71,814	13,990	85,804	84,037

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, per diems and any other direct cash remuneration.
- 2) Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, healthcare, dental coverage, vision coverage, group life insurance, professional memberships and tuition.

VILLAGE OF DUCHESS

**Notes to the Financial Statements
For The Year Ended December 31, 2018**

13. Financial Instruments

The Village's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable and accrued liabilities and deferred revenue. It is management's opinion that the Village is not exposed to significant interest or currency risk arising from these financial statements.

The Village 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 Village 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.

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

14. Commitments

The Village of Dutchess, under an agreement with Armor Building Systems Ltd., is committed to constructing a municipal administrative building in Dutchess. As of December 31, 2018, the estimated remaining cost of the facility is \$200,800.

15. Budgeted Figures

The budgeted figures, approved by Council on May 14, 2018, have not been audited and are presented for information purposes only.

16. Approval of Financial Statements

These financial statements were approved by Council and Administration on April 8, 2019.