

**VILLAGE OF DUCHESS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, 2020, 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, 2020, 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 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:



### Independent Auditors' Report (Continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 19, 2021

**VILLAGE OF DUCHESS**

**Statement of Financial Position  
December 31, 2020**

	2020	2019
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (Note 2)	1,995,948	1,752,599
Taxes receivable (Note 3)	92,552	81,730
Trade and other receivables	189,553	136,061
Land held for resale	194,050	194,050
Investments (Note 4)	10	20
<b>TOTAL FINANCIAL ASSETS</b>	<u>2,472,113</u>	<u>2,164,460</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	158,095	28,095
Deferred revenue (Note 6)	193,291	145,395
<b>TOTAL LIABILITIES</b>	<u>351,386</u>	<u>173,490</u>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<u>2,120,727</u>	<u>1,990,970</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	15,920,337	15,775,688
Prepaid expenses	40,516	40,284
	<u>15,960,853</u>	<u>15,815,972</u>
<b>ACCUMULATED SURPLUS (NOTE 10)</b>	<u>18,081,580</u>	<u>17,806,942</u>

**VILLAGE OF DUCHESS**

**Statement of Operations**  
**For The Year Ended December 31, 2020**

	Budget	2020	2019
	\$	\$	\$
<b>REVENUE</b>			
Net taxes, Schedule 3	808,650	804,394	780,910
Government transfers, Schedule 4	314,305	346,981	211,815
Investment income	33,250	31,824	32,408
User fees and sale of goods	687,840	735,464	718,099
Penalties and costs on taxes	18,000	17,885	17,457
Franchise and concession contracts	116,000	115,109	115,540
Other	500	2,013	3,149
<b>Total Revenue</b>	<b>1,978,545</b>	<b>2,053,670</b>	<b>1,879,378</b>
<b>EXPENSES</b>			
<b>Operating</b>			
Legislative	52,150	48,606	52,379
Administration	316,621	307,478	342,851
Fire, ambulance and bylaws enforcement	221,699	218,679	189,033
Roads, streets, walks and lighting, and storm	489,989	484,495	485,042
Water and wastewater	541,973	560,275	505,385
Waste management	130,041	169,848	120,376
Parks and recreation	481,520	433,092	501,842
Planning and development	73,048	62,659	11,003
<b>Total Expenses</b>	<b>2,307,041</b>	<b>2,285,132</b>	<b>2,207,911</b>
<b>EXCESS OF EXPENSES OVER REVENUE</b>			
<b>BEFORE OTHER, Schedule 6</b>	<b>(328,496)</b>	<b>(231,462)</b>	<b>(328,533)</b>
<b>OTHER</b>			
Government transfers for capital, Schedule 4	579,003	506,100	534,868
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	<b>250,507</b>	<b>274,638</b>	<b>206,335</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>17,806,942</b>	<b>17,806,942</b>	<b>17,600,607</b>
<b>ACCUMULATED SURPLUS, END OF YEAR, Schedule 1</b>	<b>18,057,449</b>	<b>18,081,580</b>	<b>17,806,942</b>

**VILLAGE OF DUCHESS**

**Statement of Changes in Net Financial Assets  
For The Year Ended December 31, 2020**

	<b>Budget</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	<b>250,507</b>	<b>274,638</b>	<b>206,335</b>
Acquisition of tangible capital assets	(1,094,332)	(904,634)	(585,041)
Contributed tangible capital assets	-	-	(31,019)
Proceeds on disposal of tangible capital assets	-	75,000	30,500
Loss (gain) on disposal of tangible capital assets	-	47,500	(16,150)
Loss on write down of tangible capital assets		23,079	
Amortization of tangible capital assets	610,500	614,406	605,422
	<b>(483,832)</b>	<b>(144,649)</b>	<b>3,712</b>
Acquisition of prepaid expenses	-	(40,516)	(40,284)
Use of prepaid assets	-	40,284	34,183
	<b>-</b>	<b>(232)</b>	<b>(6,101)</b>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	<b>(233,325)</b>	<b>129,757</b>	<b>203,946</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>1,990,970</b>	<b>1,990,970</b>	<b>1,787,024</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>1,757,645</b>	<b>2,120,727</b>	<b>1,990,970</b>

**VILLAGE OF DUCHESS**

**Statement of Cash Flows**  
**For The Year Ended December 31, 2020**

	2020	2019
	\$	\$
<b>OPERATING ACTIVITIES</b>		
(Deficiency) excess of revenue over expenses	274,638	206,335
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	614,406	605,422
Loss (gain) on disposal of tangible capital assets	47,500	(16,150)
Loss on write down of tangible capital assets	23,079	-
Tangible capital assets received as contributions	-	(31,019)
Non-cash charges to operations (net change):		
(Increase) in taxes receivable	(10,822)	(29,648)
(Increase) decrease in trade and other receivables	(53,492)	8,617
Decrease in investments	10	-
Increase (decrease) in accounts payable and accrued liabilities	130,000	(73,238)
Increase (decrease) in deferred revenue	47,896	(92,151)
(Increase) in prepaid expenses	(232)	(6,101)
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<b>1,072,983</b>	<b>572,067</b>
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(904,634)	(585,041)
Proceeds on sale of tangible capital assets	75,000	30,500
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<b>(829,634)</b>	<b>(554,541)</b>
<b>INVESTING ACTIVITIES</b>		
(Increase) decrease in restricted cash or cash equivalents	(37,539)	99,812
<b>CASH APPLIED TO INVESTING TRANSACTIONS</b>	<b>(37,539)</b>	<b>99,812</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>205,810</b>	<b>117,338</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,642,289</b>	<b>1,524,951</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>1,848,099</b>	<b>1,642,289</b>
<b>CASH AND CASH EQUIVALENTS ARE MADE UP OF:</b>		
Cash and temporary investments (Note 2)	1,995,948	1,752,599
Less: restricted portion of cash and temporary investments	(147,849)	(110,310)
	<b>1,848,099</b>	<b>1,642,289</b>

# VILLAGE OF DUCHESS

## Schedule of Changes in Accumulated Surplus For The Year Ended December 31, 2020 Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
	\$	\$	\$	\$	\$
<b>Revenue:</b>					
Balance, beginning of year	1,105,088	926,166	15,775,688	17,806,942	17,600,607
Excess (deficiency) of revenues over expenses	274,638	-	-	274,638	206,335
Unrestricted funds designated for future use	(118,724)	118,724	-	-	-
Current year funds used for tangible capital assets	(904,634)	-	904,634	-	-
Disposal of tangible capital assets	122,500	-	(122,500)	-	-
Write down of tangible capital assets	23,079	-	(23,079)	-	-
Annual amortization expense	614,406	-	(614,406)	-	-
Change in accumulated surplus	11,265	118,724	144,649	274,638	206,335
<b>Balance, end of year</b>	<b><u>1,116,353</u></b>	<b><u>1,044,890</u></b>	<b><u>15,920,337</u></b>	<b><u>18,081,580</u></b>	<b><u>17,806,942</u></b>



**VILLAGE OF DUCHESS**  
**Schedule of Tangible Capital Assets**  
**For The Year Ended December 31, 2020**  
**Schedule 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost:</b>								
Balance, beginning of year	1,086,014	1,629,677	5,088,051	15,059,430	942,823	983,875	24,789,870	24,239,852
Acquisition of tangible capital assets	-	6,425	76,021	15,420	26,068	281,025	404,959	1,043,518
	-	-	-	-	-	-	-	31,019
Construction-in-progress	-	-	-	499,675	-	-	499,675	(458,477)
Disposal of tangible capital assets	-	-	-	-	-	(175,000)	(175,000)	(46,500)
Write down of tangible capital assets	-	-	(13,871)	-	(38,124)	-	(51,995)	(19,542)
Balance, end of year	<u>1,086,014</u>	<u>1,636,102</u>	<u>5,150,201</u>	<u>15,574,525</u>	<u>930,767</u>	<u>1,089,900</u>	<u>25,467,509</u>	<u>24,789,870</u>
<b>Accumulated Amortization:</b>								
Balance, beginning of year	-	431,909	564,549	7,105,812	449,691	462,221	9,014,182	8,460,452
Annual amortization	-	67,848	102,244	336,468	62,716	45,130	614,406	605,422
Accumulated amortization on disposals	-	-	-	-	-	(52,500)	(52,500)	(32,150)
Accumulated amortization on write downs	-	-	(2,635)	-	(26,281)	-	(28,916)	(19,542)
Balance, end of year	<u>-</u>	<u>499,757</u>	<u>664,158</u>	<u>7,442,280</u>	<u>486,126</u>	<u>454,851</u>	<u>9,547,172</u>	<u>9,014,182</u>
<b>Net Book Value of Tangible Capital Assets</b>	<u><b>1,086,014</b></u>	<u><b>1,136,345</b></u>	<u><b>4,486,043</b></u>	<u><b>8,132,245</b></u>	<u><b>444,641</b></u>	<u><b>635,049</b></u>	<u><b>15,920,337</b></u>	<u><b>15,775,688</b></u>

**VILLAGE OF DUCHESS**

**Schedule of Property And Other Taxes  
For The Year Ended December 31, 2020  
Schedule 3**

	Budget	2020	2019
	\$	\$	\$
<b>TAXATION</b>			
Real property taxes	1,052,689	1,052,689	1,039,373
Power, pipe, cable T.V. and other taxes	19,648	19,648	19,951
	<u>1,072,337</u>	<u>1,072,337</u>	<u>1,059,324</u>
<b>REQUISITIONS</b>			
Alberta school foundation fund	255,469	259,725	257,507
Newell seniors foundation	8,218	8,218	20,907
	<u>263,687</u>	<u>267,943</u>	<u>278,414</u>
<b>NET TAXES</b>	<u>808,650</u>	<u>804,394</u>	<u>780,910</u>

**VILLAGE OF DUCHESS**

**Schedule of Government Transfers  
For The Year Ended December 31, 2020  
Schedule 4**

	Budget	2020	2019
	\$	\$	\$
<b>TRANSFERS FOR OPERATING</b>			
Federal government	9,000	4,200	-
Provincial government	111,048	173,290	59,212
Other local governments	194,257	169,491	152,603
	<u>314,305</u>	<u>346,981</u>	<u>211,815</u>
<b>TRANSFERS FOR CAPITAL</b>			
Provincial government	579,003	506,100	441,855
Other local government	-	-	93,013
	<u>579,003</u>	<u>506,100</u>	<u>534,868</u>
<b>TOTAL GOVERNMENT TRANSFERS</b>	<u>893,308</u>	<u>853,081</u>	<u>746,683</u>

**VILLAGE OF DUCHESS**

**Schedule of Expenses by Object  
For The Year Ended December 31, 2020  
Schedule 5**

	Budget	2020	2019
	\$	\$	\$
<b>EXPENDITURES</b>			
Salaries, wages and benefits	642,447	622,757	635,026
Contracted and general services	293,008	275,365	222,648
Materials, goods and utilities	583,526	538,933	577,361
Transfers to local boards and agencies	174,360	160,490	164,603
Bank charges and short-term interest	2,900	2,602	2,850
Loss on disposal of tangible capital assets	-	47,500	-
Loss on write down of tangible capital assets	-	23,079	-
Amortization of tangible capital assets	610,500	614,406	605,422
<b>TOTAL EXPENDITURES</b>	<b>2,306,741</b>	<b>2,285,132</b>	<b>2,207,911</b>

**VILLAGE OF DUCHESS**  
**Schedule of Segmented Disclosure**  
**For The Year Ended December 31, 2020**  
**Schedule 6**

	General Government	Protective Services	Transportation Services	Water & Waste Management	Recreation & Culture	Planning & Development	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>							
Net municipal taxes	804,394	-	-	-	-	-	804,394
Government transfers	10,444	126,596	506,100	7,020	140,273	62,648	853,081
Investment income	31,824	-	-	-	-	-	31,824
User fees and sale of goods	8,388	21,382	23,506	609,693	72,495	-	735,464
Penalties and cost of taxes	17,885	-	-	-	-	-	17,885
Franchise and concession contracts	115,109	-	-	-	-	-	115,109
Other revenues	<u>13</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,013</u>
	<u>988,057</u>	<u>149,978</u>	<u>529,606</u>	<u>616,713</u>	<u>212,768</u>	<u>62,648</u>	<u>2,559,770</u>
<b>Expenses:</b>							
Salaries & wages	189,366	31,600	130,071	128,705	143,015	-	622,757
Contract & general services	63,856	38,374	26,130	71,963	12,383	62,659	275,365
Materials, goods and utilities	66,645	40,254	118,226	257,654	56,154	-	538,933
Transfers to local boards and agencies	8,102	29,220	1,523	46,373	75,272	-	160,490
Bank charges and short-term interest	<u>2,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,602</u>
	<u>330,571</u>	<u>139,448</u>	<u>275,950</u>	<u>504,695</u>	<u>286,824</u>	<u>62,659</u>	<u>1,600,147</u>
Net revenue, before amortization	<u>657,486</u>	<u>10,530</u>	<u>253,656</u>	<u>112,018</u>	<u>(74,056)</u>	<u>(11)</u>	<u>959,623</u>
Write down of tangible assets	-	(23,079)	-	-	-	-	(23,079)
Loss on the disposal of tangible capital assets	-	-	-	(47,500)	-	-	(47,500)
Amortization expense	<u>(25,514)</u>	<u>(56,151)</u>	<u>(208,545)</u>	<u>(177,928)</u>	<u>(146,268)</u>	<u>-</u>	<u>(614,406)</u>
<b>Net Revenue</b>	<u><u>631,972</u></u>	<u><u>(68,700)</u></u>	<u><u>45,111</u></u>	<u><u>(113,410)</u></u>	<u><u>(220,324)</u></u>	<u><u>(11)</u></u>	<u><u>274,638</u></u>

**Notes to the Financial Statements  
For The Year Ended December 31, 2020**

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**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, 2020

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#### 1. Significant Accounting Policies (Continued)

##### **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, 2020

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#### 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, 2020

#### 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

	2020	2019
	\$	\$
Cash	1,995,948	225,799
Temporary investments	-	1,526,800
	<u>1,995,948</u>	<u>1,752,599</u>

Included in cash is a restricted amount of \$147,849 (2019 - \$110,310) received from external sources and held exclusively for capital and operating projects .

#### 3. Taxes Receivable

	2020	2019
	\$	\$
Current taxes	69,994	70,623
Non-current taxes	<u>22,558</u>	<u>11,107</u>
	<u>92,552</u>	<u>81,730</u>

# VILLAGE OF DUCHESS

## Notes to the Financial Statements For The Year Ended December 31, 2020

### 4. Investments

	2020	2019
	\$	\$
A.M.F.C.	-	10
Newell Regional Services Corporation, common shares	<u>10</u>	<u>10</u>
	<u>10</u>	<u>20</u>

### 5. Bank Advances

A line of credit facility of up to \$500,000. Secured by Municipal Borrowing By-Law 487/20 (Chief Elected Officer and Chief Administrative Officer are authorized on behalf of the Village to execute promissory notes or other negotiable instruments and transfer any present and future property, real or personal, movable or immovable, to furnish security for the debt). Due on demand with interest calculated at prime plus 3.45%. No balance was outstanding at year-end.

### 6. Deferred Revenue

	2020	2019
	\$	\$
Municipal Sustainability Initiative - Capital	22,902	-
Municipal Sustainability Initiative - Operating	54,539	49,855
Federal Gas Tax Fund	17,007	16,676
Alberta Community Partnership Grant	10,608	43,779
Municipal Operating Support Transfer	42,793	-
Deferred property taxes	<u>45,442</u>	<u>35,085</u>
	<u>193,291</u>	<u>145,395</u>

Conditional grants in the amount of \$147,849 (2019 - \$110,310) 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 2021. Unexpended funds related to the conditional grants are supported by cash and temporary investments of \$147,849.

# VILLAGE OF DUCHESS

## Notes to the Financial Statements For The Year Ended December 31, 2020

### 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:

	2020	2019
	\$	\$
Total debt limit	<u>3,080,505</u>	<u>2,819,067</u>
Amount of debt limit unused	<u>3,080,505</u>	<u>2,819,067</u>
Debt servicing limit	<u>513,418</u>	<u>469,845</u>
Amount of debt servicing limit unused	<u>513,418</u>	<u>469,845</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

	2020	2019
Net Book Value	\$	\$
Land	1,086,014	1,086,014
Land Improvements	1,136,345	1,197,768
Buildings	4,486,043	4,523,502
Engineered Structures		
Water system	1,578,521	1,623,039
Wastewater system	3,295,645	3,409,045
Roadway system	2,810,172	2,465,670
Storm system	447,907	455,864
Machinery and equipment	444,641	493,132
Vehicles	<u>635,049</u>	<u>521,654</u>
	<u>15,920,337</u>	<u>15,775,688</u>

### 9. Equity in Capital Assets

	2020	2019
	\$	\$
Tangible capital assets, Schedule 2	25,467,509	24,789,870
Accumulated amortization, Schedule 2	<u>(9,547,172)</u>	<u>(9,014,182)</u>
	<u>15,920,337</u>	<u>15,775,688</u>

# VILLAGE OF DUCHESS

## Notes to the Financial Statements For The Year Ended December 31, 2020

### 10. Accumulated Surplus

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

	2020	2019
	\$	\$
Unrestricted surplus	1,116,353	1,105,088
Restricted surplus		
Capital	1,019,890	901,166
General operations	25,000	25,000
Equity in tangible capital assets	<u>15,920,337</u>	<u>15,775,688</u>
	<u>18,081,580</u>	<u>17,806,942</u>

### 11. Segmented Disclosure

The Village of Duchess 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:

	2020			2019
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Mayor	8,150	601	8,751	9,367
Councillor 1	8,350	613	8,963	7,626
Councillor 2	9,350	664	10,014	8,624
Councillor 3	8,700	630	9,330	9,255
Councillor 4	2,700	383	3,083	9,780
Municipal administrator	71,613	15,438	87,051	88,545
Designated officer (1)	13,475	-	13,475	13,450

- 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, 2020

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#### **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. Budgeted Figures**

The budgeted figures, approved by Council on April 20, 2020 and revised August 31, 2020, have not been audited and are presented for information purposes only.

#### **15. Approval of Financial Statements**

These financial statements were approved by Council and Administration on April 19, 2021.