

VILLAGE OF DUCHESS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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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, 2021, 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, 2021, 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
March 21, 2022

VILLAGE OF DUCHESS

**Statement of Financial Position
December 31, 2021**

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | \$ | \$ |
| FINANCIAL ASSETS | | |
| Cash and temporary investments (Note 2) | 1,847,974 | 1,995,948 |
| Taxes receivable (Note 3) | 58,263 | 92,552 |
| Trade and other receivables | 281,966 | 186,813 |
| Land held for resale | 242,430 | 194,050 |
| Investments (Note 4) | 3,102 | 2,750 |
| TOTAL FINANCIAL ASSETS | <u>2,433,735</u> | <u>2,472,113</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 109,387 | 158,095 |
| Deferred revenue (Note 6) | 93,274 | 193,291 |
| TOTAL LIABILITIES | <u>202,661</u> | <u>351,386</u> |
| NET FINANCIAL ASSETS (DEBT) | <u>2,231,074</u> | <u>2,120,727</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 8) | 15,776,160 | 15,920,337 |
| Prepaid expenses | 42,219 | 40,516 |
| | <u>15,818,379</u> | <u>15,960,853</u> |
| ACCUMULATED SURPLUS (NOTE 10) | <u>18,049,453</u> | <u>18,081,580</u> |

VILLAGE OF DUCHESS

Statement of Operations
For The Year Ended December 31, 2021

| | Budget | 2021 | 2020 |
|--|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| REVENUE | | | |
| Net taxes, Schedule 3 | 758,630 | 759,013 | 804,394 |
| Government transfers, Schedule 4 | 361,351 | 417,245 | 346,981 |
| Investment income | 15,000 | 12,094 | 31,824 |
| User fees and sale of goods | 724,910 | 718,702 | 735,464 |
| Penalties and costs on taxes | 18,000 | 23,640 | 17,885 |
| Franchise and concession contracts | 120,800 | 121,202 | 115,109 |
| Other | 250 | 9,221 | 2,013 |
| Total Revenue | <u>1,998,941</u> | <u>2,061,117</u> | <u>2,053,670</u> |
| EXPENSES | | | |
| Operating | | | |
| Legislative | 58,750 | 49,793 | 48,606 |
| Administration | 348,805 | 352,792 | 307,478 |
| Fire, ambulance and bylaws enforcement | 227,980 | 241,775 | 218,679 |
| Roads, streets, walks and lighting, and storm | 609,456 | 554,970 | 484,495 |
| Water and wastewater | 571,745 | 639,323 | 560,275 |
| Waste management | 135,832 | 132,983 | 169,848 |
| Parks and recreation | 608,610 | 497,910 | 433,092 |
| Planning and development | 28,608 | 27,487 | 62,659 |
| Total Expenses | <u>2,589,786</u> | <u>2,497,033</u> | <u>2,285,132</u> |
| EXCESS OF EXPENSES OVER REVENUE BEFORE OTHER | (590,845) | (435,916) | (231,462) |
| OTHER | | | |
| Government transfers for capital, Schedule 4 | <u>620,955</u> | <u>403,789</u> | <u>506,100</u> |
| (DEFICIENCY) OF REVENUE OVER EXPENSES, Schedule 6 | <u>30,110</u> | <u>(32,127)</u> | <u>274,638</u> |
| ACCUMULATED SURPLUS, BEGINNING OF YEAR | <u>18,081,580</u> | <u>18,081,580</u> | <u>17,806,942</u> |
| ACCUMULATED SURPLUS, END OF YEAR, Schedule 1 | <u>18,111,690</u> | <u>18,049,453</u> | <u>18,081,580</u> |

VILLAGE OF DUCHESS

**Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2021**

| | Budget | 2021 | 2020 |
|---|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| (DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES | 30,110 | (32,127) | 274,638 |
| Acquisition of tangible capital assets | (766,750) | (528,004) | (904,634) |
| Contributed tangible capital assets | - | - | - |
| Proceeds on disposal of tangible capital assets | - | - | 75,000 |
| Loss (gain) on disposal of tangible capital assets | - | - | 47,500 |
| Loss on write down of tangible capital assets | - | - | 23,079 |
| Amortization of tangible capital assets | 671,000 | 672,181 | 614,406 |
| | (95,750) | 144,177 | (144,649) |
| Acquisition of prepaid expenses | - | (42,219) | (40,516) |
| Use of prepaid assets | - | 40,516 | 40,284 |
| | - | (1,703) | (232) |
| (DECREASE) INCREASE IN NET ASSETS | (65,640) | 110,347 | 129,757 |
| NET FINANCIAL ASSETS, BEGINNING OF YEAR | 2,120,727 | 2,120,727 | 1,990,970 |
| NET FINANCIAL ASSETS, END OF YEAR | 2,055,087 | 2,231,074 | 2,120,727 |

VILLAGE OF DUCHESS
Statement of Cash Flows
For The Year Ended December 31, 2021

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| (Deficiency) excess of revenue over expenses | (32,127) | 274,638 |
| Non-cash items included in excess of revenue over expenses: | | |
| Amortization of tangible capital assets | 672,181 | 614,406 |
| Loss on disposal of tangible capital assets | - | 47,500 |
| Loss on write down of tangible capital assets | - | 23,079 |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in taxes receivable | 34,289 | (10,822) |
| (Increase) in trade and other receivables | (95,153) | (53,492) |
| (Increase) in land held for resale | (48,380) | - |
| (Increase) decrease in investments | (352) | 10 |
| (Decrease) increase in accounts payable and accrued liabilities | (48,708) | 130,000 |
| (Decrease) increase in deferred revenue | (100,017) | 47,896 |
| (Increase) in prepaid expenses | (1,703) | (232) |
| CASH PROVIDED BY OPERATING TRANSACTIONS | <u>380,030</u> | <u>1,072,983</u> |
| CAPITAL ACTIVITIES | | |
| Acquisition of tangible capital assets | (528,004) | (904,634) |
| Proceeds on sale of tangible capital assets | - | 75,000 |
| CASH APPLIED TO CAPITAL TRANSACTIONS | <u>(528,004)</u> | <u>(829,634)</u> |
| INVESTING ACTIVITIES | | |
| Decrease (increase) in restricted cash or cash equivalents | 105,759 | (37,539) |
| CASH APPLIED TO INVESTING TRANSACTIONS | <u>105,759</u> | <u>(37,539)</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | (42,215) | 205,810 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,848,099</u> | <u>1,642,289</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>1,805,884</u></u> | <u><u>1,848,099</u></u> |
| CASH AND CASH EQUIVALENTS ARE MADE UP OF: | | |
| Cash and temporary investments (Note 2) | 1,847,974 | 1,995,948 |
| Less: restricted portion of cash and temporary investments | (42,090) | (147,849) |
| | <u><u>1,805,884</u></u> | <u><u>1,848,099</u></u> |

VILLAGE OF DUCHESS

Schedule of Changes in Accumulated Surplus For The Year Ended December 31, 2021 Schedule 1

| | Unrestricted Surplus | Restricted Surplus | Equity in Tangible Capital Assets | 2021 | 2020 |
|---|-------------------------|-------------------------|---|--------------------------|--------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue: | | | | | |
| Balance, beginning of year | 1,116,353 | 1,044,890 | 15,920,337 | 18,081,580 | 17,806,942 |
| Excess (deficiency) of revenues over expenses | (32,127) | - | - | (32,127) | 274,638 |
| Unrestricted funds designated for future use | (77,469) | 77,469 | - | - | - |
| Current year funds used for tangible capital assets | (528,004) | - | 528,004 | - | - |
| Annual amortization expense | <u>672,181</u> | <u>-</u> | <u>(672,181)</u> | <u>-</u> | <u>-</u> |
| Change in accumulated surplus | <u>34,581</u> | <u>77,469</u> | <u>(144,177)</u> | <u>(32,127)</u> | <u>274,638</u> |
| Balance, end of year | <u>1,150,934</u> | <u>1,122,359</u> | <u>15,776,160</u> | <u>18,049,453</u> | <u>18,081,580</u> |

VILLAGE OF DUCHESS
Schedule of Tangible Capital Assets
For The Year Ended December 31, 2021
Schedule 2

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2021 | 2020 |
|--|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|-----------------------|--------------------------|--------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost: | | | | | | | | |
| Balance, beginning of year | 1,086,014 | 1,636,102 | 5,150,201 | 15,574,525 | 930,767 | 1,089,900 | 25,467,509 | 24,789,870 |
| Acquisition of tangible capital assets | - | 22,585 | 13,976 | 439,443 | - | 52,000 | 528,004 | 404,959 |
| Construction-in-progress | - | - | - | - | - | - | - | 499,675 |
| Disposal of tangible capital assets | - | - | - | - | - | - | - | (175,000) |
| Write down of tangible capital assets | - | - | - | - | - | - | - | (51,995) |
| Balance, end of year | <u>1,086,014</u> | <u>1,658,687</u> | <u>5,164,177</u> | <u>16,013,968</u> | <u>930,767</u> | <u>1,141,900</u> | <u>25,995,513</u> | <u>25,467,509</u> |
| Accumulated Amortization: | | | | | | | | |
| Balance, beginning of year | - | 499,757 | 664,158 | 7,442,280 | 486,126 | 454,851 | 9,547,172 | 9,014,182 |
| Annual amortization | - | 68,881 | 103,283 | 376,147 | 62,609 | 61,261 | 672,181 | 614,406 |
| Accumulated amortization on disposals | - | - | - | - | - | - | - | (52,500) |
| Accumulated amortization on write downs | - | - | - | - | - | - | - | (28,916) |
| Balance, end of year | <u>-</u> | <u>568,638</u> | <u>767,441</u> | <u>7,818,427</u> | <u>548,735</u> | <u>516,112</u> | <u>10,219,353</u> | <u>9,547,172</u> |
| Net Book Value of Tangible Capital Assets | <u><u>1,086,014</u></u> | <u><u>1,090,049</u></u> | <u><u>4,396,736</u></u> | <u><u>8,195,541</u></u> | <u><u>382,032</u></u> | <u><u>625,788</u></u> | <u><u>15,776,160</u></u> | <u><u>15,920,337</u></u> |

VILLAGE OF DUCHESS

**Schedule of Property And Other Taxes
For The Year Ended December 31, 2021
Schedule 3**

| | Budget | 2021 | 2020 |
|---|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| TAXATION | | | |
| Real property taxes | 1,013,799 | 1,014,182 | 1,052,689 |
| Power, pipe, cable T.V. and other taxes | 19,664 | 19,664 | 19,648 |
| | <u>1,033,463</u> | <u>1,033,846</u> | <u>1,072,337</u> |
| REQUISITIONS | | | |
| Alberta school foundation fund | 265,936 | 265,936 | 259,725 |
| Newell seniors foundation | 8,897 | 8,897 | 8,218 |
| | <u>274,833</u> | <u>274,833</u> | <u>267,943</u> |
| NET TAXES | <u>758,630</u> | <u>759,013</u> | <u>804,394</u> |

VILLAGE OF DUCHESS

**Schedule of Government Transfers
For The Year Ended December 31, 2021
Schedule 4**

| | Budget | 2021 | 2020 |
|-----------------------------------|----------------|----------------|----------------|
| | \$ | \$ | \$ |
| TRANSFERS FOR OPERATING | | | |
| Federal government | 6,300 | 6,300 | 4,200 |
| Provincial government | 179,401 | 224,547 | 173,290 |
| Other local governments | 175,650 | 186,398 | 169,491 |
| | <u>361,351</u> | <u>417,245</u> | <u>346,981</u> |
| TRANSFERS FOR CAPITAL | | | |
| Provincial government | 620,955 | 403,789 | 506,100 |
| Other local government | - | - | - |
| | <u>620,955</u> | <u>403,789</u> | <u>506,100</u> |
| TOTAL GOVERNMENT TRANSFERS | <u>982,306</u> | <u>821,034</u> | <u>853,081</u> |

VILLAGE OF DUCHESS

**Schedule of Expenses by Object
For The Year Ended December 31, 2021
Schedule 5**

| | Budget | 2021 | 2020 |
|---|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| EXPENDITURES | | | |
| Salaries, wages and benefits | 671,842 | 644,678 | 622,757 |
| Contracted and general services | 242,493 | 298,099 | 275,365 |
| Materials, goods and utilities | 747,708 | 666,373 | 538,933 |
| Transfers to local boards and agencies | 253,943 | 213,217 | 160,490 |
| Bank charges and short-term interest | 2,800 | 2,485 | 2,602 |
| Loss on disposal of tangible capital assets | - | - | 47,500 |
| Loss on write down of tangible capital assets | - | - | 23,079 |
| Amortization of tangible capital assets | 671,000 | 672,181 | 614,406 |
| TOTAL EXPENDITURES | 2,589,786 | 2,497,033 | 2,285,132 |

VILLAGE OF DUCHESS
Schedule of Segmented Disclosure
For The Year Ended December 31, 2021
Schedule 6

| | General Government | Protective Services | Transportation Services | Water & Waste Management | Recreation & Culture | Total |
|--|-----------------------|------------------------|----------------------------|-----------------------------|-------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue: | | | | | | |
| Net municipal taxes | 759,013 | - | - | - | - | 759,013 |
| Government transfers | 14,957 | 141,998 | 433,799 | 88,520 | 141,760 | 821,034 |
| Investment income | 12,005 | - | - | - | 89 | 12,094 |
| User fees and sale of goods | 10,364 | 6,569 | 29,540 | 622,418 | 49,811 | 718,702 |
| Penalties and cost of taxes | 23,640 | - | - | - | - | 23,640 |
| Franchise and concession contracts | 121,202 | - | - | - | - | 121,202 |
| Other revenues | <u>2,744</u> | <u>2,550</u> | <u>-</u> | <u>-</u> | <u>3,927</u> | <u>9,221</u> |
| | <u>943,925</u> | <u>151,117</u> | <u>463,339</u> | <u>710,938</u> | <u>195,587</u> | <u>2,464,906</u> |
| Expenses: | | | | | | |
| Salaries & wages | 205,827 | 39,774 | 134,041 | 131,829 | 133,207 | 644,678 |
| Contract & general services | 79,753 | 38,785 | 18,245 | 125,171 | 36,145 | 298,099 |
| Materials, goods and utilities | 80,904 | 64,889 | 150,095 | 276,893 | 93,592 | 666,373 |
| Transfers to local boards and agencies | 8,102 | 41,817 | 1,523 | 47,067 | 114,708 | 213,217 |
| Bank charges and short-term interest | <u>2,485</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,485</u> |
| | <u>377,071</u> | <u>185,265</u> | <u>303,904</u> | <u>580,960</u> | <u>377,652</u> | <u>1,824,852</u> |
| Net revenue, before amortization | <u>566,854</u> | <u>(34,148)</u> | <u>159,435</u> | <u>129,978</u> | <u>(182,065)</u> | <u>640,054</u> |
| Amortization expense | <u>(25,514)</u> | <u>(56,509)</u> | <u>(251,066)</u> | <u>(191,346)</u> | <u>(147,746)</u> | <u>(672,181)</u> |
| Net Revenue | <u>541,340</u> | <u>(90,657)</u> | <u>(91,631)</u> | <u>(113,410)</u> | <u>(329,811)</u> | <u>(32,127)</u> |

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2021

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, 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, 2021**

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 Changes

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, 2021**

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 |

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, 2021

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

| | 2021 | 2020 |
|------|------------------|------------------|
| | \$ | \$ |
| Cash | <u>1,847,974</u> | <u>1,995,948</u> |
| | <u>1,847,974</u> | <u>1,995,948</u> |

Included in cash is a restricted amount of \$42,090 (2020 - \$147,849) received from external sources and held exclusively for capital and operating projects.

3. Taxes Receivable

| | 2021 | 2020 |
|-------------------|---------------|---------------|
| | \$ | \$ |
| Current taxes | 47,876 | 69,994 |
| Non-current taxes | <u>10,387</u> | <u>22,558</u> |
| | <u>58,263</u> | <u>92,552</u> |

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2021

4. Investments

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$ | \$ |
| South Country Co-op Ltd. equity account | 3,092 | 2,740 |
| Newell Regional Services Corporation, common shares | <u>10</u> | <u>10</u> |
| | <u>3,102</u> | <u>2,750</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 1%. No balance was outstanding at year-end.

6. Deferred Revenue

| | 2021 | 2020 |
|---|---------------|----------------|
| | \$ | \$ |
| Municipal Sustainability Initiative - Capital | - | 22,902 |
| Municipal Sustainability Initiative - Operating | 42,090 | 54,539 |
| Federal Gas Tax Fund | - | 17,007 |
| Alberta Community Partnership Grant | - | 10,608 |
| Municipal Operating Support Transfer | - | 42,793 |
| Deferred property taxes | <u>51,184</u> | <u>45,442</u> |
| | <u>93,274</u> | <u>193,291</u> |

Conditional grants in the amount of \$42,090 (2020 - \$147,849) 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 2022. Unexpended funds related to the conditional grants are supported by cash and temporary investments of \$42,090.

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2021

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:

| | 2021 | 2020 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| Total debt limit | <u>3,091,676</u> | <u>3,080,505</u> |
| Amount of debt limit unused | <u>3,091,676</u> | <u>3,080,505</u> |
| Debt servicing limit | <u>515,279</u> | <u>513,418</u> |
| Amount of debt servicing limit unused | <u>515,279</u> | <u>513,418</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

| | 2021 | 2020 |
|-------------------------|-------------------|-------------------|
| Net Book Value | \$ | \$ |
| Land | 1,086,014 | 1,086,014 |
| Land Improvements | 1,090,049 | 1,136,345 |
| Buildings | 4,396,736 | 4,486,043 |
| Engineered Structures | | |
| Water system | 1,534,003 | 1,578,521 |
| Wastewater system | 3,182,245 | 3,295,645 |
| Roadway system | 3,039,342 | 2,810,172 |
| Storm system | 439,950 | 447,907 |
| Machinery and equipment | 382,032 | 444,641 |
| Vehicles | <u>625,789</u> | <u>635,049</u> |
| | <u>15,776,160</u> | <u>15,920,337</u> |

9. Equity in Capital Assets

| | 2021 | 2020 |
|--------------------------------------|---------------------|--------------------|
| | \$ | \$ |
| Tangible capital assets, Schedule 2 | 25,995,513 | 25,467,509 |
| Accumulated amortization, Schedule 2 | <u>(10,219,353)</u> | <u>(9,547,172)</u> |
| | <u>15,776,160</u> | <u>15,920,337</u> |

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2021

10. Accumulated Surplus

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

| | 2021 | 2020 |
|-----------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Unrestricted surplus | 1,150,934 | 1,116,353 |
| Restricted surplus | | |
| Capital | 1,097,359 | 1,019,890 |
| General operations | 25,000 | 25,000 |
| Equity in tangible capital assets | <u>15,776,160</u> | <u>15,920,337</u> |
| | <u><u>18,049,453</u></u> | <u><u>18,081,580</u></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:

| | 2021 | | | 2020 |
|-------------------------|--------|-------------------------|---------|--------|
| | Salary | Benefits and allowances | Total | Total |
| | \$ | \$ | \$ | \$ |
| Mayor | 9,250 | 638 | 9,888 | 8,751 |
| Deputy Mayor | 8,950 | 628 | 9,578 | 8,963 |
| Councillor 1 | 7,250 | 519 | 7,769 | 10,014 |
| Councillor 2 | 6,800 | 481 | 7,281 | 9,330 |
| Councillor 3 | 4,550 | 393 | 4,943 | 3,083 |
| Municipal administrator | 83,969 | 16,533 | 100,502 | 87,051 |
| Designated officer (1) | 13,475 | - | 13,475 | 13,475 |

- 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, 2021**

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 May 17, 2021 and revised June 21, 2021, 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 March 21, 2022.