

VILLAGE OF KITSCOTY
Financial Statements
For The Year Ended December 31, 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Administration is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, Administration designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The elected Mayor and Council of the Village of Kitscoty are composed entirely of individuals who are neither administration nor employees of the Village. The Mayor and Council have the responsibility of meeting with Administration and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Mayor and Council are also responsible for the appointment of the Village's external auditors.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the Village Council to express an opinion on the Village's financial statements and report directly to them. The external auditors have full and free access to and meet periodically and separately with both the Mayor and Council and Administration to discuss their audit findings.



Ms. Sharon Williams, Chief
Administrative Officer

Kitscoty Alberta
May 4, 2020

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of Village of Kitscoty

Opinion

We have audited the financial statements of Village of Kitscoty (the Village), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2019, and the results of its operations 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Village 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Village for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 1, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Village or to cease operations, or has no realistic alternative but to do so.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 Village'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 Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Village 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
May 4, 2020

VILLAGE OF KITSCOTY
Statement of Financial Position
As at December 31, 2019

	2019	2018 (Restated) (Note 17)
FINANCIAL ASSETS		
Cash	\$ 1,542,684	\$ 1,453,989
Trade and other receivables (Note 2)	121,893	94,101
Taxes and grants in lieu of taxes (Note 3)	81,952	67,468
Land held for resale	496,479	497,372
Investments	166	166
	<u>2,243,174</u>	<u>2,113,096</u>
LIABILITIES		
Accounts payable and accrued liabilities	134,923	146,876
Deposit liabilities	46,333	45,350
Long term debt (Note 5)	90,661	178,770
	<u>271,917</u>	<u>370,996</u>
NET FINANCIAL ASSETS	<u>1,971,257</u>	<u>1,742,100</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 3)	7,917,842	8,125,491
Inventory	41,674	44,857
Prepaid expenses	2,619	3,001
	<u>7,962,135</u>	<u>8,173,349</u>
ACCUMULATED SURPLUS (Note 7)	<u>\$ 9,933,392</u>	<u>\$ 9,915,449</u>
CONTINGENCIES (Note 9)		
CONTRACTUAL OBLIGATIONS (Note 10)		

ON BEHALF OF COUNCIL



The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2019

	2019 (Budget)	2019 (Actual)	2018 (Restated) (Note 17)
REVENUE			
Net municipal taxes <i>(Schedule 1)</i>	\$ 871,048	\$ 870,358	\$ 856,744
Sales and user charges	703,836	655,232	568,532
Government transfers for operating <i>(Schedule 2)</i>	206,724	79,771	230,835
Other	46,450	57,276	97,739
Investment income	3,000	28,122	17,728
Penalties and costs on taxes	18,000	18,383	18,113
Rentals	14,015	12,935	20,092
Licenses and permits	2,550	6,169	6,756
	<u>1,865,623</u>	<u>1,728,246</u>	<u>1,816,539</u>
EXPENSES			
Roads, streets, walks and lighting	493,823	427,483	408,684
Administration and legislative	499,587	376,903	371,189
Water supply and distribution	550,907	282,299	205,401
Fire protection and safety services	130,845	124,300	162,714
Wastewater treatment and disposal	104,780	113,996	118,906
Waste management	105,373	97,448	98,231
Parks and recreation	115,725	96,488	105,034
Land use planning, zoning and development	201,212	93,791	23,238
Culture	56,904	64,975	61,138
Family and community support	31,678	30,690	31,678
Cemeteries	11,926	8,896	12,024
Bylaw enforcement	3,600	4,297	3,036
	<u>2,306,360</u>	<u>1,721,566</u>	<u>1,601,273</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>(440,737)</u>	<u>6,680</u>	<u>215,266</u>
OTHER INCOME			
Government transfers for capital <i>(Schedule 2)</i>	77,700	59,706	104,268
Gain (loss) on disposal of tangible capital assets	-	(48,443)	3,028
	<u>77,700</u>	<u>11,263</u>	<u>107,296</u>
ANNUAL SURPLUS (DEFICIT)	<u>(363,037)</u>	<u>17,943</u>	<u>322,562</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	9,915,449	9,901,710	9,586,256
Restatement <i>(Note 17)</i>	-	13,739	6,631
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED	<u>9,915,449</u>	<u>9,915,449</u>	<u>9,592,887</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 9,552,412</u>	<u>\$ 9,933,392</u>	<u>\$ 9,915,449</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2019

	2019 (Budget) (Note 14)	2019 (Actual)	2018 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ (363,037)	\$ 17,943	\$ 322,562
Acquisition of tangible capital assets	-	(183,218)	(130,089)
Amortization of tangible capital assets	-	337,923	344,467
Proceeds on disposal of tangible capital assets	-	4,501	45,000
Loss (gain) on sale of tangible capital assets	-	48,443	(3,028)
	<u>(363,037)</u>	<u>225,592</u>	<u>578,912</u>
(Acquisition) use of inventory	-	3,183	(6,726)
(Acquisition) use of prepaid expenses	-	382	(1,361)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(363,037)	229,157	570,825
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,742,100</u>	<u>1,742,100</u>	<u>1,171,275</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 1,379,063</u>	<u>\$ 1,971,257</u>	<u>\$ 1,742,100</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY
Statement of Cash Flows
For The Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 17,943	\$ 322,562
Non-cash items not included in annual surplus:		
Amortization of tangible capital assets	337,923	344,467
Loss (gain) on disposal of tangible capital assets	48,443	(3,028)
	<u>404,309</u>	<u>664,001</u>
Changes in non-cash working capital balances:		
Taxes and grants in lieu of taxes	(14,484)	23,475
Trade and other receivables	(27,792)	85,976
Land held for resale	893	14,715
Prepaid expenses	382	(1,361)
Accounts payable and accrued liabilities	(11,953)	34,924
Deposit liabilities	983	2,238
Inventory	3,183	(6,726)
	<u>(48,788)</u>	<u>153,241</u>
	<u>355,521</u>	<u>817,242</u>
FINANCING ACTIVITY		
Repayment of long term debt	(88,109)	(85,629)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(183,218)	(130,089)
Proceeds on disposal of tangible capital assets	4,501	45,000
	<u>(178,717)</u>	<u>(85,089)</u>
CHANGE IN CASH DURING THE YEAR	88,695	646,524
CASH, BEGINNING OF YEAR	1,453,989	807,465
CASH, END OF YEAR	\$ 1,542,684	\$ 1,453,989

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY
Schedule of Property and Other Taxes
For the Year Ended December 31, 2019

(Schedule 1)

	2019 (Budget) (Note 16)	2019 (Actual)	2018 (Actual)
TAXATION			
Real property taxes	\$ 1,121,601	\$ 1,097,997	\$ 1,096,207
Linear property taxes	37,607	37,607	29,407
Government grants in place of property taxes	-	4,025	4,690
	<u>1,159,208</u>	<u>1,139,629</u>	<u>1,130,304</u>
REQUISITIONS			
Alberta School Foundation Fund	288,009	269,120	273,499
Designated industrial property assessment	151	151	61
	<u>288,160</u>	<u>269,271</u>	<u>273,560</u>
NET MUNICIPAL TAXES	<u>\$ 871,048</u>	<u>\$ 870,358</u>	<u>\$ 856,744</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY
Schedule of Government Transfers
For the Year Ended December 31, 2019

(Schedule 2)

	2019 (Budget) (Note 20)	2019 (Actual)	2018 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 206,724	\$ 75,571	\$ 227,203
Federal government	-	4,200	3,632
	<u>206,724</u>	<u>79,771</u>	<u>230,835</u>
TRANSFERS FOR CAPITAL			
Provincial government	77,700	59,706	52,134
Federal government	-	-	52,134
	<u>77,700</u>	<u>59,706</u>	<u>104,268</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 284,424</u>	<u>\$ 139,477</u>	<u>\$ 335,103</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY
Schedule of Tangible Capital Assets
For The Year Ended December 31, 2019

(Schedule 3)

	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Construction in Progress	2019	2018 (Restated - Note 17)
Cost									
Balance, beginning of year	\$ 722,451	\$ 995,396	\$ 2,519,910	\$ 632,032	\$ 516,826	\$ 7,092,896	\$ 64,549	\$ 12,544,060	\$ 12,466,435
Additions	-	-	-	2,255	50,362	123,570	7,031	183,218	130,089
Disposals	-	-	(82,778)	-	(39,379)	(8,600)	-	(130,757)	(52,464)
Transfers	-	-	-	7,177	-	-	(7,177)	-	-
Balance, end of year	722,451	995,396	2,437,132	641,464	527,809	7,207,866	64,403	12,596,521	12,544,060
Accumulated Amortization									
Balance, beginning of year	-	305,130	1,181,539	271,306	203,654	2,456,940	-	4,418,569	4,084,594
Amortization	-	49,140	52,848	35,480	47,758	152,697	-	337,923	344,467
Disposals	-	-	(47,626)	-	(28,468)	(1,719)	-	(77,813)	(10,492)
Balance, end of year	-	354,270	1,186,761	306,786	222,944	2,607,918	-	4,678,679	4,418,569
Net Book Value	\$ 722,451	\$ 641,126	\$ 1,250,371	\$ 334,678	\$ 304,865	\$ 4,599,948	\$ 64,403	\$ 7,917,842	\$ 8,125,491

VILLAGE OF KITSCOTY**Schedule of Equity in Tangible Capital Asset****(Schedule 4)****For the Year Ended December 31, 2019**

	2019	2018 (Restated) (Note 17)
BALANCE, BEGINNING OF YEAR	\$ 7,946,719	\$ 8,117,440
Acquisition of tangible capital assets	183,218	130,089
Amortization of tangible capital assets	(337,923)	(344,467)
Net book value of tangible capital assets disposed of	(52,942)	(41,972)
Long term debt repaid	88,109	85,629
	<hr/>	<hr/>
BALANCE, END OF YEAR	\$ 7,827,181	\$ 7,946,719
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 7,917,842	\$ 8,125,489
Long term debt	(90,661)	(178,770)
	<hr/>	<hr/>
	\$ 7,827,181	\$ 7,946,719

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY

Schedule of Segmented Disclosure

For the Year Ended December 31, 2019

(Schedule 5)

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation and Culture	All Other	Total
REVENUE							
Net municipal taxes	\$ 870,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 870,358
Sales and user charges	70,946	32,039	-	550,321	-	1,926	655,232
Government transfers	139,477	-	-	-	-	-	139,477
All other	41,246	17,955	125	3,176	30,848	1,414	94,764
Investment income	28,122	-	-	-	-	-	28,122
	<u>1,150,149</u>	<u>49,994</u>	<u>125</u>	<u>553,497</u>	<u>30,848</u>	<u>3,340</u>	<u>1,787,953</u>
EXPENSES							
Salaries, wages and benefits	220,551	2,288	90,597	41,292	16,023	9,273	380,024
Materials, goods and supplies	17,639	31,682	104,142	287,250	40,856	-	481,569
Contracted services	114,272	17,213	98,704	87,409	25,159	94,692	437,449
Other expenses	3,630	-	-	-	-	-	3,630
Transfers to local boards and agencies	-	12,670	-	-	36,610	27,948	77,228
Interest on long term debt	-	-	-	3,744	-	-	3,744
	<u>356,092</u>	<u>63,853</u>	<u>293,443</u>	<u>419,695</u>	<u>118,648</u>	<u>131,913</u>	<u>1,383,644</u>
NET REVENUE (EXPENSES), BEFORE OTHER	<u>794,057</u>	<u>(13,859)</u>	<u>(293,318)</u>	<u>133,802</u>	<u>(87,800)</u>	<u>(128,573)</u>	<u>404,309</u>
OTHER							
Amortization of tangible capital assets	(14,387)	(70,840)	(134,041)	(74,049)	(42,816)	(1,790)	(337,923)
Gain (loss) on disposal of tangible capital assets	(48,443)	-	-	-	-	-	(48,443)
NET REVENUE	<u>\$ 731,227</u>	<u>\$ (84,699)</u>	<u>\$ (427,359)</u>	<u>\$ 59,753</u>	<u>\$ (130,616)</u>	<u>\$ (130,363)</u>	<u>\$ 17,943</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY

Schedule of Segmented Disclosure

For the Year Ended December 31, 2018

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation and Culture	All Other	Total
REVENUE							
Net municipal taxes	\$ 856,744	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 856,744
Sales and user charges	72,749	39,780	-	451,910	-	4,094	568,533
Government transfers	335,103	-	-	-	-	-	335,103
All other	47,003	51,802	4,620	2,617	35,743	914	142,699
Investment income	17,728	-	-	-	-	-	17,728
	<u>1,329,327</u>	<u>91,582</u>	<u>4,620</u>	<u>454,527</u>	<u>35,743</u>	<u>5,008</u>	<u>1,920,807</u>
EXPENSES							
Salaries, wages and benefits	218,717	2,334	87,709	45,155	17,624	10,216	381,755
Materials, goods and supplies	16,216	57,622	105,351	203,556	51,860	692	435,297
Contracted services	113,445	25,512	79,363	93,307	16,891	27,028	355,546
Other expenses	586	-	-	-	-	-	586
Transfers to local boards and agencies	-	12,560	-	-	36,532	27,720	76,812
Interest on long term debt	-	-	-	6,810	-	-	6,810
	<u>348,964</u>	<u>98,028</u>	<u>272,423</u>	<u>348,828</u>	<u>122,907</u>	<u>65,656</u>	<u>1,256,806</u>
NET REVENUE (EXPENSES), BEFORE OTHER	<u>980,363</u>	<u>(6,446)</u>	<u>(267,803)</u>	<u>105,699</u>	<u>(87,164)</u>	<u>(60,648)</u>	<u>664,001</u>
OTHER							
Amortization of tangible capital assets	(15,911)	(73,528)	(136,261)	(73,711)	(43,265)	(1,791)	(344,467)
Gain (loss) on disposal of tangible capital assets	3,028	-	-	-	-	-	3,028
NET REVENUE	<u>\$ 961,424</u>	<u>\$ (79,974)</u>	<u>\$ (404,064)</u>	<u>\$ 31,988</u>	<u>\$ (130,429)</u>	<u>\$ (62,439)</u>	<u>\$ 322,562</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Kitscoty (the "Village") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Village are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Village and are, therefore, accountable to the Village's Council for the administration of their financial affairs and resources.

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

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

(b) Basis of Accounting

The 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.

(c) Cash

Cash consists of deposits held with a Canadian financial institution less any cheques written in excess of the bank balance.

(d) Investments

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

(e) Land Held for Resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(f) Tax Revenue

Property tax revenue is based on market value of assessments determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Government Transfers

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

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

(h) Requisition Over-levies and Under-levies

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. In situations 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.

(i) Pension Expenses

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

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and 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.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

(k) Non-Financial Assets

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

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventory for consumption

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

(m) 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:

Land improvements	15 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 20 years
Vehicles	10 - 25 years
Engineered structures:	
Other engineering structures	35 - 50 years
Water systems	45 - 75 years
Wastewater and stormwater systems	35 - 75 years

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

100% amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. The Village will continue to assess the impact and prepare for the adoption of these standards.

i) Restructuring Transactions

PS 3430, *Restructuring Transactions*, establishes standards on how to account and for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related programs or operating responsibilities. This standard is applicable for fiscal years beginning on or after April 1, 2018.

ii) Financial Statement Presentation

PS 1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2021.

iii) Foreign Currency Translation

PS 2601, *Foreign Currency Translation*, requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement dates. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard must be adopted in conjunction with PS 2601 and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2021.

iv) Portfolio Investments

PS 3041, *Portfolio Investments*, has removed the distinction between temporary and portfolio investments and amended to conform to PS 3405. This standard must be adopted in conjunction with PS 1201, PS 2601, and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2021.

v) Financial Instruments

PS 3450, *Financial Instruments*, established recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivative and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2021.

(continues)

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

vi) Asset Retirement Obligations

PS 3280, *Asset Retirement Obligations*, establishes standards on how to account and report for legal obligations associated with the retirement of certain tangible capital assets including solid waste landfill sites. As a result, PS 3270, *Solid Waste Landfill Closure and Post-Closure Liability* has been withdrawn but will remain in effect until the adoption of PS 3280. This standard is applicable for fiscal years beginning on or after April 1, 2021.

vii) Revenue

PS 3400, *Revenue*, establishes standards on how to account for and report revenue differentiating between revenue arising from transactions that include performance obligations and transactions that do not. This standard is applicable to fiscal years beginning on or after April 1, 2022.

2. TRADE AND OTHER RECEIVABLES

	<u>2019</u>	<u>2018</u>
Due from other governments	\$ 59,706	\$ -
Trade accounts receivable	49,817	78,464
Goods and Services Tax recoverable	<u>12,370</u>	<u>15,637</u>
	<u>\$ 121,893</u>	<u>\$ 94,101</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2019</u>	<u>2018</u>
Current taxes and grants in lieu of taxes	\$ 63,321	\$ 58,145
Arrears taxes receivable	<u>18,631</u>	<u>9,323</u>
	<u>\$ 81,952</u>	<u>\$ 67,468</u>

4. BANK INDEBTEDNESS

The Village has a revolving demand credit facility of \$1,000,000. The demand loan bears interest at the bank's prime rate minus 0.25% per annum. The balances was not drawn on at December 31, 2019 (2018 -\$NIL) and is secured by a revolving line of credit agreement, a related demand promissory note, and a Municipal Borrowing By-Law.

The Village has access to borrow from Alberta Municipal Services Corporation \$30,000, by way of a Bank of Montreal Business Mastercard, repayable upon demand at a rate of interest per annum not to exceed 19.5% and unsecured.

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

5. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
Tax Supported debentures - ACFA	\$ 90,661	\$ 178,770

Principal and interest repayment terms are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 90,661	\$ 1,959	\$ 92,620

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 2.875% per annum and matures in 2020. The average annual interest rate is 2.875% (2018 - 2.875%).

The current portion of the long term debt amounts is \$90,661 (2018 - \$88,109).

Interest on long term debt amounted to \$3,209 (2018 - \$6,810)

The Village's total cash payments for interest is \$4,511.

6. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits, as defined by *Alberta Regulation 255/2000*, for the Village be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 2,592,369	\$ 2,807,552
Total debt	(90,661)	(178,770)
Amount of debt limit unused	\$ 2,501,708	\$ 2,628,782
Debt servicing limit	\$ 432,062	\$ 467,925
Debt servicing	(92,620)	(92,620)
Amount of service on debt limit unused	\$ 339,442	\$ 375,305

The debt limit is calculated at 1.5 times revenue of the Village (as defined in *Alberta Regulation 255/2000*) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Village. Rather, the financial statements must be interpreted as a whole.

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

7. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	<u>\$ 605,800</u>	<u>\$ 677,448</u>
Restricted surplus		
General administration reserve	849,091	914,841
Infrastructure stabilization reserve	477,908	252,767
Fire capital equipment reserve	113,148	60,230
Parks and trail reserve	14,336	10,972
Fire capital reserve	12,088	19,770
Celebration legacy fund	9,485	12,318
Road capital reserve	8,885	8,744
Road maintenance reserve	8,228	8,097
Recycle reserve	6,640	3,543
	<u>1,499,809</u>	<u>1,291,282</u>
Equity in tangible capital assets (<i>Schedule 4</i>)	<u>7,827,181</u>	<u>7,946,719</u>
	<u>\$ 9,932,790</u>	<u>\$ 9,915,449</u>

8. FUNDS HELD IN TRUST

The Village administers the following trust funds on behalf of third parties. As related trust assets are not owned by the Village, the trusts have been excluded from the financial statements.

	<u>2019</u>	<u>2018</u>
Tax sale surplus	<u>\$ 54,838</u>	<u>\$ 53,968</u>

9. CONTINGENCIES

- a) The Village is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of membership, the Village could become liable for its proportionate shares of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.
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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

10. CONTRACTUAL OBLIGATIONS

The Village is a partner in the Alberta Central East Water Corporation (ACE) regional water system project to design and construct a water transfer and pump station, 3 fill stations, a truck fill station and 246 kilometres of pipeline. The Provincial government is committed to fund approximately 90% of the estimated project costs as part of the Alberta Water for Life program. The remaining 10% of costs will be distributed between the municipal partners. The Village costs to date have been as follows:

Stage one	\$120,285
Stage two	\$279,516
Stage three	\$128,875
Stage four and five	\$178,293
Stage six	\$19,230

The Village has 6.9% of the voting shares and is responsible for 5.9% of all costs estimated to total \$926,548. As the Regional Water System is not a Village owned asset, none of the related liabilities, funding or expenditures are reflected in the Village's financial statement except for the Village's portion and consumption costs.

11. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Village officials, the Chief Administrator Officer and designated officers are required by *Alberta Regulation 313/2000*, is as follows:

	Salary (1)	Benefits (2)	2019	2018
D. Frank - Mayor	\$ 9,000	\$ 329	\$ 9,329	\$ 9,171
D. Roth - Deputy Mayor	8,100	283	8,383	8,242
G. Barr	6,600	206	6,806	6,692
H. Perryman	6,600	206	6,806	6,692
T. Pollard	6,600	206	6,806	6,692
	<u>\$ 36,900</u>	<u>\$ 1,230</u>	<u>\$ 38,130</u>	<u>\$ 37,489</u>
Chief Administrative Officer	\$ 83,381	\$ 10,277	\$ 93,658	\$ 94,802

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

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

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

12. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash, investments, taxes and grants in place of taxes receivable, trade and other receivables, land held for resale, accounts payable and accrued liabilities, deposit liabilities, and long term debt. It is management's opinion that the Village is not exposed to significant market, liquidity and currency risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The Village is exposed 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

The Village is exposed to interest rate risk with respect to long term debt. Interest rate risk arises from interest rate fluctuations which the Village manages exposure through its normal operating and financing activities. The Village is exposed to interest rate risk primarily through its variable interest credit facilities.

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

13. SEGMENTED DISCLOSURE

The Village provides a range of services to its taxpayers. 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. For additional information see the Schedule of Segmented Disclosure (Schedules 5 and 6).

14. BUDGET

Budget figures presented in these financial statements are based on the 2019 operating and capital budgets adopted by Council on April 1, 2019.

15. DEFINED CONTRIBUTION SAVINGS PLAN

Employees of the Village are required to participate in the Village's Defined Contribution Savings Plan upon successful completion of their probationary period. Employees may choose the percentage of their wage to contribute to the Defined Contribution Savings Plan, which will be matched by the Village, up to the maximum percentage based on each employees length of service. Contribution rates range between 5-7%.

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

Total current service contributions by the Village to the group savings plan were \$15,829 (2018 - \$15,378).

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements on May 4, 2020.

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2019

17. RESTATEMENT

The Village discovered that during the year they had previously disposed of tangible capital assets that were still in their possession. They further discovered that they had expensed purchases that should have been recorded as tangible capital assets.

The Village also discovered that they had reported funds held in trust on the statement of financial position and did not disclose benefits paid to Councillors in Note 11.

Some of the comparative figures have been reclassified to conform to the current year's presentation.

The effect on the financial statements has been to decrease the December 31, 2018 cash by \$53,968, accounts payable and accrued liabilities by \$30,134, deposit liabilities by \$23,834, tangible capital assets by \$13,739, increase annual surplus by \$7,108 and opening accumulated surplus by \$6,631.
