

VILLAGE OF KITSCOTY
Financial Statements
For The Year Ended December 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management 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, management 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 management nor employees of the Village. The Mayor and Council have the responsibility of meeting with management 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's 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 management to discuss their audit findings.



Ms. Sharon Williams
Chief Administrative Officer

Kitscoty, Alberta
April 19, 2021

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Village of Kitscoty

Opinion

We have audited the financial statements of the Village of Kitscoty (the "Village"), which comprise the statement of financial position as at December 31, 2020, 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, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Village in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Village's 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 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.

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:

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Independent Auditors' Report to the Councillors of Village of Kitscoty *(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 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 auditor's 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

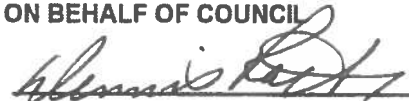

Chartered Professional Accountants

Edmonton, Alberta
April 19, 2021

VILLAGE OF KITSCOTY
Statement of Financial Position
As at December 31, 2020

	2020	2019 (Restated) (Note 19)
FINANCIAL ASSETS		
Cash	\$ 1,809,684	\$ 1,542,684
Taxes and grants in place of taxes receivable (Note 2)	171,292	81,952
Trade and other receivables (Note 3)	80,243	76,443
Land held for resale	496,479	496,479
Investments	156	166
	<u>2,557,854</u>	<u>2,197,724</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	104,033	106,351
Deposit liabilities	47,139	45,500
Deferred revenue (Note 6)	309,073	376,484
Long term debt (Note 7)	-	90,661
	<u>460,245</u>	<u>618,996</u>
NET FINANCIAL ASSETS	<u>2,097,609</u>	<u>1,578,728</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 3)	8,087,454	7,917,842
Inventory for consumption	15,436	41,674
Prepaid expenses	6,990	2,619
	<u>8,109,880</u>	<u>7,962,135</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 10,207,489</u>	<u>\$ 9,540,863</u>
CONTINGENT LIABILITIES (Note 13)		
CONTRACTUAL OBLIGATIONS (Note 14)		

ON BEHALF OF COUNCIL

 Councillor
 Councillor

VILLAGE OF KITSCOTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2020

	2019 (Budget) (Note 17)	2020 (Actual)	2019 (Restated) (Note 19)
REVENUE			
Net municipal taxes <i>(Schedule 1)</i>	\$ 862,605	\$ 844,058	\$ 870,358
Sales and user charges	613,309	537,348	587,684
Government transfers for operating <i>(Schedule 2)</i>	267,812	206,669	177,427
Franchise and concession contracts <i>(Note 11)</i>	64,000	65,400	67,548
Other	10,650	43,355	32,889
Penalties and costs on taxes	18,000	26,137	18,383
Investment income	10,000	9,808	23,371
Rentals	9,115	8,138	12,935
Licenses and permits	3,200	2,581	6,169
	<u>1,858,691</u>	<u>1,743,494</u>	<u>1,796,764</u>
EXPENSES			
Roads, streets, walks and lighting	493,866	393,027	427,483
Administration and legislative	455,989	325,330	370,479
Water supply and distribution	486,295	281,629	282,299
Fire protection and safety services	163,858	132,237	130,724
Parks and recreation	129,788	109,277	96,488
Wastewater treatment and disposal	102,313	103,486	113,996
Waste management	106,796	102,137	97,448
Culture	23,474	31,444	40,588
Family and community support	31,678	30,560	30,690
Cemeteries	12,022	7,618	8,896
Bylaw enforcement	3,700	2,423	4,297
Land use planning, zoning and development	63,600	645	93,791
	<u>2,073,379</u>	<u>1,519,813</u>	<u>1,697,179</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>(214,688)</u>	<u>223,681</u>	<u>99,585</u>
OTHER INCOME			
Government transfers for capital <i>(Schedule 2)</i>	110,000	480,300	14,256
Gain (loss) on disposal of tangible capital assets	-	(37,355)	(48,443)
	<u>110,000</u>	<u>442,945</u>	<u>(34,187)</u>
ANNUAL SURPLUS (DEFICIT)	<u>(104,688)</u>	<u>666,626</u>	<u>65,398</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR	<u>9,933,362</u>	<u>9,933,392</u>	<u>9,915,449</u>
Restatement <i>(Note 19)</i>	<u>(392,529)</u>	<u>(392,529)</u>	<u>(439,984)</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS RESTATED	<u>9,540,833</u>	<u>9,540,863</u>	<u>9,475,465</u>
ACCUMULATED SURPLUS - END OF YEAR <i>(Note 9)</i>	<u>\$ 9,436,145</u>	<u>\$ 10,207,489</u>	<u>\$ 9,540,863</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, 2020

	2020 (Budget) (Note 17)	2020 (Actual)	2019 (Restated) (Note 19)
ANNUAL SURPLUS (DEFICIT)	\$ (104,688)	\$ 666,626	\$ 65,398
Purchase of tangible capital assets	(283,973)	(573,432)	(183,218)
Amortization of tangible capital assets	335,462	359,965	337,923
Proceeds on disposal of tangible capital assets	-	6,500	4,501
Loss (gain) on sale of tangible capital assets	-	37,355	48,443
	<u>51,489</u>	<u>(169,612)</u>	<u>207,649</u>
Use of inventory for consumption	-	26,238	3,183
(Acquisition) use of prepaid expenses	-	(4,371)	382
	<u>-</u>	<u>21,867</u>	<u>3,565</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(53,199)	518,881	276,612
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>1,578,728</u>	<u>1,578,728</u>	<u>1,302,116</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 1,525,529</u>	<u>\$ 2,097,609</u>	<u>\$ 1,578,728</u>

VILLAGE OF KITSCOTY
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ 666,626	\$ 65,398
Items not affecting cash:		
Amortization of tangible capital assets	359,965	337,923
Loss (gain) on disposal of tangible capital assets	37,355	48,443
	<u>1,063,946</u>	<u>451,764</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	(89,340)	(14,484)
Trade and other receivables	(3,800)	17,658
Land held for resale	-	893
Inventory for consumption	26,238	3,183
Prepaid expenses	(4,371)	382
Accounts payable and accrued liabilities	(2,318)	(40,535)
Deposit liabilities	1,639	149
Deferred revenue	(67,411)	(63,489)
	<u>(139,363)</u>	<u>(96,243)</u>
	<u>924,583</u>	<u>355,521</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(573,432)	(183,218)
Proceeds on disposal of tangible capital assets	6,500	4,501
Proceeds on disposal of investments	10	-
	<u>(566,922)</u>	<u>(178,717)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	(90,661)	(88,109)
	<u>(90,661)</u>	<u>(88,109)</u>
INCREASE IN CASH FLOWS	267,000	88,695
CASH - BEGINNING OF YEAR	1,542,684	1,453,989
CASH - END OF YEAR	\$ 1,809,684	\$ 1,542,684

VILLAGE OF KITSCOTY
Schedule of Property Taxes Levied
For the Year Ended December 31, 2020

(Schedule 1)

	2020 (Budget) (Note 17)	2020 (Actual)	2019 (Actual)
TAXATION			
Real property taxes	\$ 1,064,519	\$ 1,053,458	\$ 1,097,997
Linear property taxes	31,562	37,547	37,607
Government grants in place of property taxes	-	5,084	4,025
	<u>1,096,081</u>	<u>1,096,089</u>	<u>1,139,629</u>
REQUISITIONS			
Alberta School Foundation Fund	233,331	252,031	269,120
Designated industrial property assessment	145	-	151
	<u>233,476</u>	<u>252,031</u>	<u>269,271</u>
NET MUNICIPAL TAXES	<u>\$ 862,605</u>	<u>\$ 844,058</u>	<u>\$ 870,358</u>

VILLAGE OF KITSCOTY**Schedule of Government Transfers****(Schedule 2)****For the Year Ended December 31, 2020**

	2020 (Budget) (Note 17)	2020 (Actual)	2019 (Restated) (Note 19)
TRANSFER FOR OPERATING			
Provincial government	\$ 267,812	\$ 198,269	\$ 173,227
Federal government	-	8,400	4,200
	<u>267,812</u>	<u>206,669</u>	<u>177,427</u>
TRANSFER FOR CAPITAL			
Provincial government	<u>110,000</u>	<u>480,300</u>	<u>14,256</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 377,812</u>	<u>\$ 686,969</u>	<u>\$ 191,683</u>

VILLAGE OF KITSCOTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2020 (Schedule 3)

	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Construction in Progress	2020	2019
Cost									
Balance - beginning of year	\$ 722,451	\$ 995,396	\$ 2,437,132	\$ 641,464	\$ 527,809	\$ 7,207,866	\$ 64,403	\$ 12,596,521	\$ 12,544,060
Additions	-	-	103,593	90,420	-	-	379,419	573,432	183,218
Disposals	-	-	(25,000)	(14,765)	-	-	(22,116)	(61,881)	(130,757)
Transfers	-	-	-	-	-	341,834	(341,834)	-	-
Balance, end of year	\$ 722,451	\$ 995,396	\$ 2,515,725	\$ 717,119	\$ 527,809	\$ 7,549,700	\$ 79,872	\$ 13,108,072	\$ 12,596,521
Accumulated Amortization									
Balance - beginning of year	\$ -	\$ 354,270	\$ 1,186,761	\$ 306,786	\$ 222,944	\$ 2,607,918	\$ -	\$ 4,678,679	\$ 4,418,569
Amortization	-	49,140	53,756	52,286	47,758	157,025	-	359,965	337,923
Disposals	-	-	(9,165)	(8,861)	-	-	-	(18,026)	(77,813)
Balance, end of year	\$ -	\$ 403,410	\$ 1,231,352	\$ 350,211	\$ 270,702	\$ 2,764,943	\$ -	\$ 5,020,618	\$ 4,678,679
Net Book Value	\$ 722,451	\$ 591,986	\$ 1,284,373	\$ 366,908	\$ 257,107	\$ 4,784,757	\$ 79,872	\$ 8,087,454	\$ 7,917,842

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

VILLAGE OF KITSCOTY**Schedule of Equity in Tangible Capital Assets****(Schedule 4)****For the Year Ended December 31, 2020**

	2020	2019
BALANCE, BEGINNING OF YEAR	\$ 7,827,181	\$ 7,946,719
Amortization of tangible capital assets	(359,965)	(337,923)
Acquisition of tangible capital assets	573,432	183,218
Net book value of tangible capital assets disposed of	(43,855)	(52,942)
Long-term debt repaid	90,661	88,109
BALANCE, END OF YEAR	\$ 8,087,454	\$ 7,827,181
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 8,087,454	\$ 7,917,842
Long-term debt	-	(90,661)
	\$ 8,087,454	\$ 7,827,181

VILLAGE OF KITSCOTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2020

(Schedule 5)

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation and Culture	All Other	2020	2019
REVENUE								
Net municipal taxes	\$ 844,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 844,058	\$ 870,358
Sales and user charges	4,552	21,595	-	510,852	-	349	537,348	587,664
Government transfers	403,146	-	258,481	-	-	25,342	686,969	191,683
Other revenues	71,290	4,580	170	2,654	1,137	380	80,211	70,376
Franchise and concession contracts	65,400	-	-	-	-	-	65,400	67,548
Investment income	9,808	-	-	-	-	-	9,808	23,371
	<u>1,398,254</u>	<u>26,175</u>	<u>258,651</u>	<u>513,506</u>	<u>1,137</u>	<u>26,071</u>	<u>2,223,794</u>	<u>1,811,020</u>
EXPENSES								
Materials, goods and supplies	15,951	19,464	108,821	292,025	9,880	-	446,141	445,059
Contracted services	98,091	15,401	63,329	85,460	14,296	2,400	278,977	437,450
Salaries, wages and benefits	186,372	1,893	77,647	33,873	15,614	8,058	323,457	380,024
Transfers to local boards and agencies	-	27,062	-	-	53,688	28,050	108,800	89,349
Interest on long-term debt	-	-	-	660	-	-	660	3,744
Other expenses	1,813	-	-	-	-	-	1,813	3,630
	<u>302,227</u>	<u>63,820</u>	<u>249,797</u>	<u>412,018</u>	<u>93,478</u>	<u>38,508</u>	<u>1,159,848</u>	<u>1,359,256</u>
OTHER INCOME								
Amortization of tangible capital assets	(23,103)	(70,840)	(143,230)	(75,234)	(47,243)	(315)	(359,965)	(337,923)
Gain (loss) on disposal of tangible capital assets	(37,355)	-	-	-	-	-	(37,355)	(48,443)
	<u>(60,458)</u>	<u>(70,840)</u>	<u>(143,230)</u>	<u>(75,234)</u>	<u>(47,243)</u>	<u>(315)</u>	<u>(397,320)</u>	<u>(386,366)</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 1,035,569</u>	<u>\$ (108,485)</u>	<u>\$ (134,376)</u>	<u>\$ 26,254</u>	<u>\$ (139,584)</u>	<u>\$ (12,752)</u>	<u>\$ 666,626</u>	<u>\$ 65,398</u>

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

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Kitscoty (the "Village") are the representation 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 net financial position and cash flow 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 Village 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.

(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) 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.

(d) 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.

(e) 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.

(f) 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.

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) 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.

(h) Pension expenses

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

(i) 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 for the year.

(j) 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 asset is amortized over their estimated useful lives on a straight-line basis at the following rates:

Land improvements	15 - 25 Years
Buildings	25 - 50 Years
Machinery and equipment	5 - 20 Years
Vehicles	10 - 25 Years
Engineered structures	
Other engineered systems	35 - 50 Years
Water system	45 - 75 Years
Wastewater system	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.

(k) Inventory for consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost.

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from these 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 and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements

(m) Future changes in significant accounting policies

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

(i) 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, 2022.

(ii) 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, 2022.

(iii) 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, 2022.

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future changes in significant accounting policies (continued)

(iv) 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, 2022.

(v) 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, 2022.

(vi) 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, 2023.

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2020</u>	<u>2019</u>
Current taxes and grants in lieu of taxes	\$ 145,891	\$ 63,321
Arrears taxes receivable	25,401	18,631
	<u>\$ 171,292</u>	<u>\$ 81,952</u>

3. TRADE AND OTHER RECEIVABLES

	<u>2020</u>	<u>2019</u>
Goods and Services Tax recoverable	\$ 42,363	\$ 12,370
Trade accounts receivable	37,880	49,816
Due from other governments	-	14,257
	<u>\$ 80,243</u>	<u>\$ 76,443</u>

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

4. OPERATING LINE OF CREDIT

The Village has a revolving demand credit facility with ATB Financial that can drawn upon to a maximum of \$1,000,000. The facility bears interest at prime less 0.25% per annum and is secured by a promissory note. As at December 31, 2020, no amounts had been drawn on the facility (2019 - \$NIL).

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 is unsecured.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Trades and other accrued liabilities	\$ 89,066	\$ 87,128
Employee benefit obligation	14,968	19,223
	<u>\$ 104,034</u>	<u>\$ 106,351</u>

Employee benefit obligation is comprised of the vacation and sick time that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

6. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from various third parties and are restricted to the eligible operating and capital projects as approved in the funding agreements for a specified purpose. Additions are composed of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	<u>2019</u>	<u>Funding Received</u>	<u>Revenue Recognized</u>	<u>2020</u>
Municipal sustainability initiative	\$ 211,094	\$ 151,182	\$ (221,818)	\$ 140,458
Alberta community partnership	135,985	724	(4,351)	132,358
Other deferred revenue	29,405	35,750	(30,239)	34,916
Municipal operating support transfer	-	103,829	(102,488)	1,341
Federal gas tax	-	258,482	(258,482)	-
	<u>\$ 376,484</u>	<u>\$ 549,967</u>	<u>\$ (617,378)</u>	<u>\$ 309,073</u>

7. LONG TERM DEBT

	<u>2020</u>	<u>2019</u>
Province of Alberta Debenture, bearing interest at 2.875 % per annum, repayable in semi-annual blended payments of \$46,310. The loan matured on September 15, 2020.	\$ -	\$ 90,661

Interest on long-term debt amounted to \$660 (2019 - \$3,744).

The Village's total cash payments for interest is \$1,959 (2019 - \$4,511).

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

8. 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>2020</u>	<u>2019</u>
Total debt limit	\$ 2,615,241	\$ 2,695,146
Total debt	-	(90,661)
Amount of debt limit unused	<u>\$ 2,615,241</u>	<u>\$ 2,604,485</u>
Debt servicing limit	\$ 435,874	\$ 449,191
Debt servicing	-	(92,620)
Amount of service on debt limit unused	<u>\$ 435,874</u>	<u>\$ 356,571</u>

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.

9. ACCUMULATED SURPLUS

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

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 575,074	\$ 213,873
Reserves		
General administration reserve	849,137	849,091
Infrastructure stabilization reserve	479,904	477,908
Fire capital equipment reserve	134,080	113,148
Water capital reserve	25,037	-
Parks and trail reserve	14,396	14,336
Fire capital reserve	12,138	12,088
Celebration legacy fund	6,416	9,485
Road capital reserve	8,922	8,885
Road maintenance reserve	8,263	8,228
Recycle reserve	6,668	6,640
	<u>1,544,961</u>	<u>1,499,809</u>
Equity in tangible capital assets	<u>8,087,454</u>	<u>7,827,181</u>
	<u>\$ 10,207,489</u>	<u>\$ 9,540,863</u>

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

10. 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>2020</u>	<u>2019</u>
Tax sale surplus	<u>\$ 55,199</u>	<u>\$ 54,838</u>

11. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of utility franchise agreement annual revenues as required by *Alberta Regulation 313/2000* is as follows:

	<u>2020</u>	<u>2019</u>
ATCO Electric	<u>\$ 42,782</u>	<u>\$ 44,318</u>
ATCO Gas	<u>22,618</u>	<u>23,230</u>
	<u>\$ 65,400</u>	<u>\$ 67,548</u>

12. DEFINED CONTRIBUTION SAVINGS PLAN

Employees of the Village are required to participate in the Village's Defined Contribution Savings Plan (the "Plan") upon successful completion of their probationary period. Employees may choose the percentage of their wage to contribute to the 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. Current service contributions to the Plan made by the Village totaled \$14,410 (2019 - \$15,829).

13. CONTINGENT LIABILITIES

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.

The Village has a leased a parcel of land for the operation of two water wells. From 2018 to 2019, the Village has decommissioned the water wells as new pipelines have been built connecting the Village to a larger water system. The Village is required to remediate the lands to an arable condition. The remaining costs, if any, to restore the property cannot be reliably be measured.

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

14. 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, three fill stations, a truck fill station, and 246 kilometres of pipeline. The Province of Alberta 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.

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.

As of December 31, 2020, the Village's share of the remaining construction cost are estimated as follows.

Capital contribution schedule:

2021	\$	118,200
2022		88,650
2023		<u>28,073</u>
	\$	<u>234,923</u>

15. 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.

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 the operating line of credit. Interest rate risk arises from interest rate fluctuations through its variable interest line of credit. As at December 31, 2020, no balance was drawn on the operating line of credit.

Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

16. SEGMENTED DISCLOSURE

The Village provides a range of services to its taxpayers. For each reported segment, revenues and expenses 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.

(a) General Government

General Government is comprised of Village Council, the Office of the Chief Administrative Officer, and Corporate Services. Corporate Services is comprised of Financial Services and Human Resources.

Council makes decisions regarding service delivery and service levels on behalf of the Village in order to balance the needs and wants of Village residents in a financial responsible manner.

(b) Protective Services

Protective Services is comprised of Fire and Municipal Enforcement Services. Fire Services is responsible to provide fire suppression services; fire prevention programs; training and education related to fire prevention; and the detection and/or extinguishments of fires. Municipal Enforcement Services provide bylaw enforcement that ranges from community standards, to traffic safety, to animal control as well as provincial statute enforcement with authorities granted by the Solicitor General of Alberta.

(c) Transportation

Transportation is comprised of Common Services and the Public Works area. They are responsible for the maintenance of the roadway and storm systems of the Village.

(d) Environment Services

Environmental Services are comprised of water, waste water, and waste management services. They are responsible for providing a water supply, a sanitary sewage collection and disposal system, and a waste disposal service.

(g) Recreation and Culture

Recreation and Culture provide recreational and cultural services and activities which promote the well-being of its citizens. These areas are responsible for the parks, playgrounds, facilities, and green spaces of the Village. This area also acts as a liaison between community groups and providing grant funding.

(e) All Other

All Other includes cemetery maintenance and public health. Public health provides services mandated by Family and Community Support Services Alberta through a shared funding model between the Province of Alberta and the Village.

Certain allocation methodologies are employed in the preparation of segmented financial information. Net municipal taxes are unallocated to segments and are presented under General Revenue. Sales and user charges have been allocated to the segment based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. For additional information see the Schedule of Segmented Disclosure (Schedule 5).

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2020

17. BUDGET

Budget figures presented in these financial statements are based on the 2020 operating and capital budgets adopted by Council on May 25, 2020.

18. APPROVAL OF THE FINANCIAL STATEMENTS

Council and management have approved these financial statements on April 19, 2021.

19. RESTATEMENT

Historically, as government transfers had been received the Village recorded the full amount of funding received as revenue. Where external restrictions have not been met, this resulted in an overstatement of revenue and accumulated surplus.

The effect on the financial statements has been as follows:

- Decrease to accounts receivable of \$45,450
- Increase to deferred revenue of \$347,079
- Increase to annual surplus by \$47,455
- Decrease to opening accumulated surplus by \$439,984

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

20. SALARIES AND BENEFITS DISCLOSURE

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

	Salary (1)	Benefits (2)	2020	2019
Mayor D. Frank	\$ 9,000	\$ 291	\$ 9,291	\$ 9,329
Deputy Mayor D. Roth	8,100	63	8,163	8,383
Councillor G. Barr	6,600	165	6,765	6,806
Councillor H. Perryman	6,600	165	6,765	6,806
Councillor T. Pollard	6,600	165	6,765	6,806
	<u>\$ 36,900</u>	<u>\$ 849</u>	<u>\$ 37,749</u>	<u>\$ 38,130</u>
Chief administrative officer	\$ 94,430	\$ 6,610	\$ 101,040	\$ 93,658

(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 health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition's.