

VILLAGE OF KITSCOTY
Financial Statements
For The Year Ended December 31, 2022

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.



Mr. Jason Olson, CLGM
Chief Administrative Officer

Kitscoty, Alberta
March 20, 2023

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the 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, 2022, 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, 2022, 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:

(continues)

Independent Auditors' Report to the Mayor and Council of the 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 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

March 20, 2023

VILLAGE OF KITSCOTY
Statement of Financial Position
As at December 31, 2022

	2022	2021 (Restated) (Note 18)
FINANCIAL ASSETS		
Cash	\$ 3,577,118	\$ 2,282,772
Taxes and grants in place of taxes receivable (Note 2)	149,856	95,764
Trade and other receivables (Note 3)	124,184	126,824
Land held for resale	496,479	496,479
Investments	156	156
	<u>4,347,793</u>	<u>3,001,995</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	117,795	224,086
Deposit liabilities	48,548	48,076
Deferred revenue (Note 6)	1,201,924	110,216
	<u>1,368,267</u>	<u>382,378</u>
NET FINANCIAL ASSETS	<u>2,979,526</u>	<u>2,619,617</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 3)	7,870,541	7,813,906
Inventory for consumption	-	11,760
Prepaid expenses	19,550	19,029
	<u>7,890,091</u>	<u>7,844,695</u>
ACCUMULATED SURPLUS	<u>\$ 10,869,617</u>	<u>\$ 10,464,312</u>
CONTINGENT LIABILITIES (Note 12)		
CONTRACTUAL OBLIGATION (Note 13)		

ON BEHALF OF COUNCIL



Beel Mayor

Alennis K... Councillor

VILLAGE OF KITSCOTY
Statement of Operations and Accumulated Surplus
For The Year Ended December 31, 2022

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Restated) (Note 18)
REVENUE			
Net municipal taxes (<i>Schedule 1</i>)	\$ 820,932	\$ 825,675	\$ 819,560
Sales and user charges	606,301	592,605	601,886
Government transfers for operating (<i>Schedule 2</i>)	187,183	98,782	116,446
Franchise and concession contracts (<i>Note 10</i>)	66,400	83,983	66,400
Investment income	8,760	43,271	6,479
Penalties and costs on taxes	30,235	23,428	43,022
Rentals	11,836	15,925	9,546
Other	11,605	15,743	30,179
Licenses and permits	3,803	2,365	2,658
	1,747,055	1,701,777	1,696,176
EXPENSES			
Roads, streets, walks and lighting	469,667	550,371	378,822
Administration and legislative	449,208	421,135	359,848
Water supply and distribution	425,755	382,384	422,927
Fire protection and safety services	164,007	149,549	132,949
Parks and recreation	104,958	104,271	98,531
Waste management	107,479	95,274	98,587
Wastewater treatment and disposal	84,750	77,168	104,968
Family and community support	31,987	31,313	30,552
Culture	19,137	15,444	26,751
Cemeteries	12,436	10,101	8,394
Bylaw enforcement	5,713	7,166	3,414
Land use planning, zoning and development	-	675	-
	1,875,097	1,844,851	1,665,743
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	(128,042)	(143,074)	30,433
OTHER INCOME			
Government transfers for capital (<i>Schedule 2</i>)	8,800	588,990	182,616
Loss on disposal of tangible capital assets	-	(40,611)	(2,203)
	8,800	548,379	180,413
ANNUAL SURPLUS (DEFICIT)	(119,242)	405,305	210,846
ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS PREVIOUSLY STATED	10,418,335	10,418,335	10,207,489
Restatement (<i>Note 18</i>)	45,977	45,977	45,977
ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS RESTATED	10,464,312	10,464,312	10,253,466
ACCUMULATED SURPLUS - END OF YEAR	\$ 10,345,070	\$ 10,869,617	\$ 10,464,312

VILLAGE OF KITSCOTY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2022

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ (119,242)	\$ 405,305	\$ 210,846
Amortization of tangible capital assets	325,497	393,786	353,953
Purchase of tangible capital assets	(103,900)	(491,032)	(82,608)
Loss on disposal of tangible capital assets	-	40,611	2,203
	221,597	(56,635)	273,548
Acquisition of prepaid expenses	-	(521)	(12,039)
Use of inventory for consumption	-	11,760	3,676
	-	11,239	(8,363)
INCREASE IN NET FINANCIAL ASSETS	102,355	359,909	476,031
NET FINANCIAL ASSETS - BEGINNING OF YEAR	2,619,617	2,619,617	2,143,586
NET FINANCIAL ASSETS - END OF YEAR	\$ 2,721,972	\$ 2,979,526	\$ 2,619,617

VILLAGE OF KITSCOTY
Statement of Cash Flows
For The Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus	\$ 405,305	\$ 210,846
Items not affecting cash:		
Amortization of tangible capital assets	393,786	353,953
Loss on disposal of tangible capital assets	40,611	2,203
	<u>839,702</u>	<u>567,002</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	(54,092)	75,528
Trade and other receivables	2,640	(604)
Inventory for consumption	11,760	3,676
Prepaid expenses	(521)	(12,039)
Accounts payable and accrued liabilities	(106,291)	120,053
Deposit liabilities	472	937
Deferred revenue	1,091,708	(198,857)
	<u>945,676</u>	<u>(11,306)</u>
	<u>1,785,378</u>	<u>555,696</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	(491,032)	(82,608)
INCREASE IN CASH FLOWS	1,294,346	473,088
CASH - BEGINNING OF YEAR	2,282,772	1,809,684
CASH - END OF YEAR	\$ 3,577,118	\$ 2,282,772

VILLAGE OF KITSCOTY
Schedule of Property Taxes Levied
For the Year Ended December 31, 2022

(Schedule 1)

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Actual)
TAXATION			
Real property taxes	\$ 1,013,047	\$ 1,007,393	\$ 1,005,696
Linear property taxes	33,329	39,533	38,547
Government grants in place of property taxes	-	4,193	4,737
	1,046,376	1,051,119	1,048,980
REQUISITIONS			
Alberta School Foundation Fund	225,444	225,444	229,420
NET MUNICIPAL TAXES	\$ 820,932	\$ 825,675	\$ 819,560

VILLAGE OF KITSCOTY
Schedule of Government Transfers
For the Year Ended December 31, 2022

(Schedule 2)

	2022 (Budget) (Note 16)	2022 (Actual)	2021 (Actual)
TRANSFER FOR OPERATING			
Provincial government	\$ 187,183	\$ 92,482	\$ 107,663
Federal government	-	6,300	8,783
	<u>187,183</u>	<u>98,782</u>	<u>116,446</u>
TRANSFER FOR CAPITAL			
Provincial government	<u>8,800</u>	<u>588,990</u>	<u>182,616</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 195,983</u>	<u>\$ 687,772</u>	<u>\$ 299,062</u>

VILLAGE OF KITSCOTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2022

(Schedule 3)

	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Construction in Progress	2022	2021
Cost									
Balance, beginning of year	\$ 722,451	\$ 995,396	\$ 2,515,725	\$ 717,119	\$ 527,809	\$ 7,614,608	\$ 95,369	\$ 13,188,477	\$ 13,108,072
Additions	-	-	-	423,362	7,820	59,850	-	491,032	82,608
Disposals	-	-	-	-	-	-	(40,611)	(40,611)	(2,203)
Transfers	-	-	-	-	-	54,758	(54,758)	-	-
Balance, end of year	\$ 722,451	\$ 995,396	\$ 2,515,725	\$ 1,140,481	\$ 535,629	\$ 7,729,216	\$ -	\$ 13,638,898	\$ 13,188,477
Accumulated Amortization									
Balance, beginning of year	\$ -	\$ 452,550	\$ 1,285,108	\$ 394,683	\$ 318,460	\$ 2,923,770	\$ -	\$ 5,374,571	\$ 5,020,618
Amortization	-	49,140	49,831	86,804	48,540	159,471	-	393,786	353,953
Disposals	-	-	-	-	-	-	-	-	-
Balance, end of year	\$ -	\$ 501,690	\$ 1,334,939	\$ 481,487	\$ 367,000	\$ 3,083,241	\$ -	\$ 5,768,357	\$ 5,374,571
Net Book Value	\$ 722,451	\$ 493,706	\$ 1,180,786	\$ 658,994	\$ 168,629	\$ 4,645,975	\$ -	\$ 7,870,541	\$ 7,813,906

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, 2022**

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ 7,813,906	\$ 8,087,454
Amortization of tangible capital assets	(393,786)	(353,953)
Acquisition of tangible capital assets	491,032	82,608
Net book value of tangible capital assets disposed of	(40,611)	(2,203)
Long-term debt repaid	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 7,870,541</u>	<u>\$ 7,813,906</u>
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 7,870,541	\$ 7,813,906
Long-term debt	<u>-</u>	<u>-</u>
	<u>\$ 7,870,541</u>	<u>\$ 7,813,906</u>

VILLAGE OF KITSCOTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2022

(Schedule 5)

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation and Culture	All Other	2022	2021
REVENUE								
Net municipal taxes	\$ 825,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 825,675	\$ 819,560
Government transfers	610,335	-	51,847	-	-	25,590	687,772	299,062
Sales and user charges	4,587	18,334	-	567,009	-	2,675	592,605	601,886
Franchise and concession contracts	83,983	-	-	-	-	-	83,983	66,400
Other revenues	35,441	8,150	(105)	3,073	10,252	650	57,461	85,405
Investment income	43,271	-	-	-	-	-	43,271	6,479
	1,603,292	26,484	51,742	570,082	10,252	28,915	2,290,767	1,878,792
EXPENSES								
Materials, goods and supplies	17,511	29,064	161,957	301,295	1,853	740	512,420	439,882
Salaries, wages and benefits	245,253	2,737	105,435	20,141	16,946	10,227	400,739	338,068
Contracted services	132,838	21,956	94,155	73,459	22,889	2,698	347,995	309,824
Transfers to local boards and agencies	-	32,309	-	88,650	36,688	28,110	185,757	223,509
Other expenses	4,154	-	-	-	-	-	4,154	507
	399,756	86,066	361,547	483,545	78,376	41,775	1,451,065	1,311,790
OTHER INCOME								
Amortization of tangible capital assets	(21,379)	(70,649)	(188,824)	(71,281)	(41,339)	(314)	(393,786)	(353,953)
Gain (loss) on disposal of tangible capital assets	(40,611)	-	-	-	-	-	(40,611)	(2,203)
	(61,990)	(70,649)	(188,824)	(71,281)	(41,339)	(314)	(434,397)	(356,156)
ANNUAL SURPLUS (DEFICIT)	\$ 1,141,546	\$ (130,231)	\$ (498,629)	\$ 15,256	\$ (109,463)	\$ (13,174)	\$ 405,305	\$ 210,846

The accompanying notes are an integral part of these financial statements

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2022

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) 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.

(d) 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.

(e) 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, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Pension expenses

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

(g) 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.

(h) 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.

(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, 2022

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, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *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) Public Private Partnerships

PS 3160, Public Private Partnerships, establishes standards on how to account for public private partnership arrangements (recognition of infrastructure assets and the corresponding liability to the private partnership) along with the disclosure and presentation requirements. This standard is applicable to fiscal years beginning on or after April 1, 2023.

(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, 2023.

(viii) Purchased Intangible Assets

PSG-8, Purchased Intangible Assets, provides guidance regarding the recognition, measurement, and disclosure of purchased intangible assets in relation to the conceptual framework for financial reporting in the public sector. This guideline is applicable to fiscal years beginning on or after April 1, 2023.

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2022</u>	<u>2021</u>
Current taxes and grants in lieu of taxes	\$ 118,510	\$ 49,362
Arrears taxes receivable	31,346	46,402
	<u>\$ 149,856</u>	<u>\$ 95,764</u>

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2022

3. TRADE AND OTHER RECEIVABLES

	2022	2021 (Restated) (Note 18)
Trade accounts receivable	\$ 97,716	\$ 108,892
Goods and Services Tax recoverable	26,468	17,932
	\$ 124,184	\$ 126,824

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 plus 1.00% per annum and is secured by a promissory note. As at December 31, 2022, no amounts had been drawn on the facility (2021 - \$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

	2022	2021
Trades and other accrued liabilities	\$ 61,071	\$ 52,706
Payable to other governments	45,628	153,710
Employee benefit obligation	11,096	17,670
	\$ 117,795	\$ 224,086

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.

	2021	Funding Received	Revenue Recognized	2022
Municipal Sustainability Initiative	\$ 22,543	\$ 1,507,151	\$ (537,144)	\$ 992,550
Canada Community Building Fund	-	173,455	-	173,455
Other deferred revenue	35,826	35,919	(35,826)	35,919
Municipal Stimulus Program	51,847	-	(51,847)	-
	\$ 110,216	\$ 1,716,525	\$ (624,817)	\$ 1,201,924

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2022

7. 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>2022</u>	<u>2021</u>
Total debt limit	\$ 2,552,666	\$ 2,544,264
Total debt	-	-
Amount of debt limit unused	<u>\$ 2,552,666</u>	<u>\$ 2,544,264</u>
Debt servicing limit	\$ 425,444	\$ 424,044
Debt servicing	-	-
Amount of service on debt limit unused	<u>\$ 425,444</u>	<u>\$ 424,044</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.

8. ACCUMULATED SURPLUS

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

	<u>2022</u>	<u>2021</u> (Restated) (Note 18)
Unrestricted	\$ 1,341,911	\$ 989,442
Reserves		
General administration reserve	777,034	878,871
Infrastructure stabilization reserve	479,904	479,904
Fire capital equipment reserve	167,262	144,888
Water capital reserve	176,162	100,498
Parks and trail reserve	14,396	14,396
Fire capital reserve	12,138	12,138
Celebration legacy fund	6,416	6,416
Road capital reserve	8,922	8,922
Road maintenance reserve	8,263	8,263
Recycle reserve	6,668	6,668
	<u>1,657,165</u>	<u>1,660,964</u>
Equity in tangible capital assets	<u>7,870,541</u>	<u>7,813,906</u>
	<u>\$ 10,869,617</u>	<u>\$ 10,464,312</u>

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2022

9. 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>2022</u>	<u>2021</u>
Tax sale surplus	\$ 56,219	\$ 55,368

10. FRANCHISE AND CONCESSION CONTRACTS

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

	<u>2022</u>	<u>2021</u>
ATCO Electric	\$ 55,402	\$ 44,261
ATCO Gas	28,581	22,139
	\$ 83,983	\$ 66,400

11. 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 \$13,085 (2021 - \$13,690).

12. 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, 2022

13. 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, 2022, the Village's share of the remaining construction cost are estimated as follows.

Capital contribution schedule:

2023	\$ <u>28,073</u>
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14. 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, 2022, 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, 2022

15. 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, 2022

16. BUDGET

Budget figures presented in these financial statements are based on the 2022 operating and capital budgets adopted by Council on June 20, 2022.

17. APPROVAL OF THE FINANCIAL STATEMENTS

Council and management have approved these financial statements on March 20, 2023.

18. RESTATEMENT

The Village has adjusted certain financial statement accounts as of December 31, 2021 due to the following.

The Village had previously entered into an agreement with its energy provider to receive a reimbursement for each eligible lot connected to the electric system. No receivable accrual or revenue has been previously recorded for eligible lots connected.

The Village was eligible for grant funding for previous expenditures. No receivable accrual or revenue was previously recorded for eligible grant funding.

The effect on the financial statements has been as follows:

- Increase to accounts receivable of \$45,977
- Increase to opening accumulated surplus by \$45,977

19. 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)	2022	2021
Mayor J. Bell	\$ 7,000	\$ 202	\$ 7,202	\$ 1,128
Deputy Mayor D. Roth	8,100	-	8,100	8,100
Councillor G. Barr	6,600	179	6,779	6,774
Councillor D. Frank	8,600	293	8,893	9,305
Councillor K. Miciak	6,600	179	6,779	1,128
Councillor H. Perryman	-	-	-	5,646
Councillor T. Pollard	-	-	-	6,774
	\$ 36,900	\$ 853	\$ 37,753	\$ 38,855
Chief Administrative Officer	\$ 93,435	\$ 3,500	\$ 96,935	\$ 89,718

(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.