

VILLAGE OF KITSCOTY
Financial Statements
For the Year Ended December 31, 2023

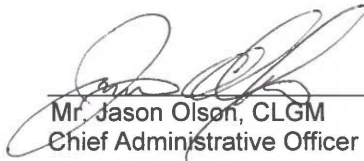
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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
April 15, 2024

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, 2023, 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, 2023, 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 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 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 15, 2024

VILLAGE OF KITSCOTY
Statement of Financial Position
As at December 31, 2023

	2023	2022 (Restated) (Note 19)
FINANCIAL ASSETS		
Cash	\$ 3,207,432	\$ 3,577,118
Taxes and grants in place of taxes (Note 2)	154,970	149,856
Trade and other receivables (Note 3)	407,659	409,902
Land held for resale	424,092	496,479
Investments	156	156
	<u>4,194,309</u>	<u>4,633,511</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	112,065	117,795
Deposit liabilities	49,039	48,548
Deferred revenue (Note 6)	355,901	1,201,924
Asset retirement obligation (Note 7)	161,502	153,958
	<u>678,507</u>	<u>1,522,225</u>
NET FINANCIAL ASSETS	<u>3,515,802</u>	<u>3,111,286</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	6,278	19,550
Tangible capital assets (Schedule 3)	8,743,065	7,897,805
	<u>8,749,343</u>	<u>7,917,355</u>
ACCUMULATED SURPLUS	<u>\$ 12,265,145</u>	<u>\$ 10,742,923</u>
CONTINGENT LIABILITIES (Note 13)		

ON BEHALF OF COUNCIL

Bee Mayor

Sherris Boff Councillor



VILLAGE OF KITSCOTY**Statement of Operations and Accumulated Surplus****For the Year Ended December 31, 2023**

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Restated) (Note 19)
REVENUE			
Net municipal taxes (<i>Schedule 1</i>)	\$ 859,246	\$ 846,599	\$ 825,675
User fees and sales of goods	619,550	656,937	570,733
Government transfers for operating (<i>Schedule 2</i>)	159,125	164,179	98,782
Other revenue	36,285	132,990	37,201
Investment income	40,000	117,166	43,271
Franchise and concession contracts (<i>Note 11</i>)	80,000	78,137	83,983
Penalties and costs on taxes	35,000	35,101	23,428
Rentals	16,950	16,226	15,925
Licenses and permits	3,025	2,443	2,365
	<u>1,849,181</u>	<u>2,049,778</u>	<u>1,701,363</u>
EXPENSES			
Roads, streets, walks and lighting	362,175	633,798	550,371
Administration and legislative	442,153	443,911	422,704
Water supply and distribution	262,721	291,911	381,971
Fire protection and safety services	77,207	162,553	149,549
Parks and recreation	58,780	139,229	109,424
Waste management	102,600	111,959	95,274
Wastewater treatment and disposal	65,550	96,451	77,168
Family and community support	34,758	36,488	32,235
Culture	23,310	29,168	15,444
Bylaw enforcement	10,500	11,363	7,166
Cemeteries	10,650	10,861	10,878
Land use planning, zoning and development	-	135	675
	<u>1,450,404</u>	<u>1,967,827</u>	<u>1,852,859</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	<u>398,777</u>	<u>81,951</u>	<u>(151,496)</u>
OTHER INCOME			
Government transfers for capital (<i>Schedule 2</i>)	-	1,196,606	588,990
Gain (loss) on disposal of tangible capital assets	-	(42,053)	(40,611)
	<u>-</u>	<u>1,154,553</u>	<u>548,379</u>
ANNUAL SURPLUS	<u>398,777</u>	<u>1,236,504</u>	<u>396,883</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR	10,869,617	10,869,617	10,464,312
Restatement (<i>Note 19</i>)	159,024	159,024	(118,272)
ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS RESTATED	<u>11,028,641</u>	<u>11,028,641</u>	<u>10,346,040</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 11,427,418</u>	<u>\$ 12,265,145</u>	<u>\$ 10,742,923</u>

VILLAGE OF KITSCOTY
Statement of Changes in Net Financial Assets
Year Ended December 31, 2023

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Restated) (Note 19)
ANNUAL SURPLUS	\$ 398,777	\$ 1,236,504	\$ 396,883
Amortization of tangible capital assets	-	461,642	395,015
Purchase of tangible capital assets	-	(1,363,555)	(491,032)
Proceeds on disposal of tangible capital assets	-	14,600	-
Loss on disposal of assets	-	42,053	40,611
	-	(845,260)	(55,406)
Decrease in inventory for consumption	-	-	11,760
Decrease (increase) in prepaid expenses	-	13,272	(520)
	-	13,272	11,240
INCREASE IN NET FINANCIAL ASSETS	398,777	404,516	352,717
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,111,286	3,111,286	2,758,569
NET FINANCIAL ASSETS - END OF YEAR	\$ 3,510,063	\$ 3,515,802	\$ 3,111,286

VILLAGE OF KITSCOTY
Statement of Cash Flows
For the Year Ended December 31, 2023

	2023	2022 (Restated) (Note 19)
OPERATING ACTIVITIES		
Annual surplus	\$ 1,236,504	\$ 396,883
Items not affecting cash:		
Amortization of tangible capital assets	461,642	395,015
Asset retirement obligations accretion	7,544	7,192
Loss on disposal of tangible capital assets	42,053	40,611
	<u>1,747,743</u>	<u>839,701</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes	(5,114)	(54,092)
Trade and other receivables	2,243	(283,078)
Land held for resale	72,387	-
Inventory for consumption	-	11,760
Prepaid expenses	13,272	(520)
Accounts payable and accrued liabilities	(5,730)	(106,291)
Deposit liabilities	491	472
Deferred revenue	(846,023)	1,091,708
	<u>(768,474)</u>	<u>659,959</u>
	<u>979,269</u>	<u>1,499,660</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(1,363,555)	(491,032)
Proceeds on disposal of tangible capital assets	14,600	-
	<u>(1,348,955)</u>	<u>(491,032)</u>
INCREASE (DECREASE) IN CASH FLOW	(369,686)	1,008,628
CASH - BEGINNING OF YEAR	<u>3,577,118</u>	<u>2,282,772</u>
CASH - END OF YEAR	<u>\$ 3,207,432</u>	<u>\$ 3,291,400</u>

VILLAGE OF KITSCOTY**Schedule of Property Taxes Levied
For the Year Ended December 31, 2023****(Schedule 1)**

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Actual)
TAXATION			
Real property taxes	\$ 1,077,951	\$ 1,027,830	\$ 1,007,393
Linear property taxes	7,279	46,205	39,533
Government grants in place of property taxes	-	5,681	4,193
	1,085,230	1,079,716	1,051,119
REQUISITIONS			
Alberta School Foundation Fund	225,984	233,117	225,444
NET MUNICIPAL TAXES	\$ 859,246	\$ 846,599	\$ 825,675

VILLAGE OF KITSCOTY**Schedule of Government Transfers****(Schedule 2)****For the Year Ended December 31, 2023**

	2023 (Budget) (Note 16)	2023 (Actual)	2022 (Actual)
TRANSFER FOR OPERATING			
Provincial government	\$ 159,125	\$ 159,979	\$ 92,482
Federal government	-	4,200	6,300
	159,125	164,179	98,782
TRANSFER FOR CAPITAL			
Provincial government	-	1,196,606	588,990
TOTAL GOVERNMENT TRANSFERS	\$ 159,125	\$ 1,360,785	\$ 687,772

VILLAGE OF KITSCOTY
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

(Schedule 3)

	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Construction in Progress	2023	2022 (Restated) (Note 19)
Cost									
Balance, beginning of year	\$ 722,451	\$ 995,396	\$ 2,515,725	\$ 1,140,481	\$ 535,629	\$ 7,729,216	\$ -	\$ 13,638,898	\$ 13,188,477
Restatement (Note 19)	2,006	-	69,303	-	-	-	-	71,309	71,309
Balance, beginning of year, as Restated	724,457	995,396	2,585,028	1,140,481	535,629	7,729,216	-	13,710,207	13,259,786
Additions	-	-	49,795	182,490	26,300	1,104,970	-	1,363,555	491,032
Disposals	-	-	(73,192)	(62,697)	-	(111,305)	-	(247,194)	(40,611)
Transfers	-	-	-	-	-	-	-	-	-
Balance, end of year	\$ 724,457	\$ 995,396	\$ 2,561,631	\$ 1,260,274	\$ 561,929	\$ 8,722,881	\$ -	\$ 14,826,568	\$ 13,710,207
Accumulated Amortization									
Balance, beginning of year	\$ -	\$ 501,690	\$ 1,334,939	\$ 481,487	\$ 367,000	\$ 3,083,241	\$ -	\$ 5,768,357	\$ 5,374,571
Restatement (Note 19)	-	-	44,045	-	-	-	-	44,045	42,816
Balance, beginning of year, as Restated	-	501,690	1,378,984	481,487	367,000	3,083,241	-	5,812,402	5,417,387
Amortization	-	49,140	50,592	96,832	51,170	213,908	-	461,642	395,015
Disposals	-	-	(52,699)	(41,996)	-	(95,846)	-	(190,541)	-
Balance, end of year	\$ -	\$ 550,830	\$ 1,376,877	\$ 536,323	\$ 418,170	\$ 3,201,303	\$ -	\$ 6,083,503	\$ 5,812,402
Net Book Value	\$ 724,457	\$ 444,566	\$ 1,184,754	\$ 723,951	\$ 143,759	\$ 5,521,578	\$ -	\$ 8,743,065	\$ 7,897,805

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, 2023**

	2023	2022 (Restated) (Note 19)
BALANCE, BEGINNING OF YEAR	\$ 7,743,847	\$ 7,695,633
Amortization of tangible capital assets	(461,642)	(395,015)
Acquisition of tangible capital assets	1,363,555	491,032
Net book value of tangible capital assets disposed of	(56,653)	(40,611)
Asset retirement obligation accretion	(7,544)	(7,192)
BALANCE, END OF YEAR	\$ 8,581,563	\$ 7,743,847
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	\$ 8,743,065	\$ 7,897,805
Asset retirement obligations	(161,502)	(153,958)
	\$ 8,581,563	\$ 7,743,847

VILLAGE OF KITSCOTY
Schedule of Segmented Disclosure
For the Year Ended December 31, 2023

(Schedule 5)

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation and Culture	All Other	2023	2022 (Restated) (Note 19)
REVENUE								
Net municipal taxes	\$ 846,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 846,599	\$ 825,675
Government transfers	1,334,588	-	-	-	-	26,197	1,360,785	687,772
Sales and user charges	1,941	-	-	582,058	-	72,938	656,937	570,733
Other revenues	121,929	47,071	-	3,418	13,272	1,070	186,760	78,919
Investment income	117,166	-	-	-	-	-	117,166	43,271
Franchise and concession contracts	78,137	-	-	-	-	-	78,137	83,983
	2,500,360	47,071	-	585,476	13,272	100,205	3,246,384	2,290,353
EXPENSES								
Materials, goods and supplies	50,994	19,852	118,348	318,640	7,678	405	515,917	512,421
Contracted services	166,644	21,409	179,550	87,355	42,526	1,831	499,315	347,995
Salaries, wages and benefits	192,728	2,769	92,615	15,657	22,074	10,444	336,287	400,739
Transfers to local boards and agencies	-	52,288	-	-	49,391	32,747	134,426	185,757
Other expenses	10,993	-	-	1,703	-	-	12,696	3,740
Accretion expense	1,543	-	-	-	5,034	967	7,544	7,192
	422,902	96,318	390,513	423,355	126,703	46,394	1,506,185	1,457,844
OTHER INCOME								
Amortization of tangible capital assets	(21,009)	(77,598)	(243,285)	(76,966)	(41,694)	(1,090)	(461,642)	(395,015)
Gain (loss) on disposal of tangible capital assets	(42,053)	-	-	-	-	-	(42,053)	(40,611)
	(63,062)	(77,598)	(243,285)	(76,966)	(41,694)	(1,090)	(503,695)	(435,626)
ANNUAL SURPLUS (DEFICIT)	\$ 2,014,396	\$ (126,845)	\$ (633,798)	\$ 85,155	\$ (155,125)	\$ 52,721	\$ 1,236,504	\$ 396,883

The accompanying notes are an integral part of these financial statements

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

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, 2023

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) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement tangible capital assets. Asset retirement activities include all activities related to an asset retirement obligation. These may include, but are not limited to:

- Decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- Remediation of contamination of a tangible capital asset created by its normal use;
- Post-retirement activities such as monitoring; and
- Constructing other tangible capital assets to perform post-retirement activities.

Asset retirement obligations are initially measured at the later of the date of acquisition or legislative obligation. When a liability for an asset retirement obligation is recognized, the asset retirement costs are added to the carrying amount of the related tangible capital asset in productive use and are amortized over the estimated useful life of the related tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed.

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability. When the future retirement date is known, a present value technique is used to measure the liability. Subsequent to the initial measurement, the asset retirement obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation and is recognized as an accretion expense in the statement of operations.

(j) 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.

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(k) 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.

(l) Inventory for consumption

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

(m) 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, contaminated sites, future cash flows associated with asset retirement obligations, and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements

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VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(n) 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) 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.

(ii) 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.

(iii) 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.

(iv) Financial Statement Presentations

PS 1202, Financial Statement Presentation, sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement principles are based on the concepts in the Conceptual Framework for Financial Reporting in the Public Sector. This standard is applicable to fiscal years beginning on or after April 1, 2026.

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2023	2022
Current taxes and grants in lieu of taxes	\$ 107,356	\$ 118,510
Arrears taxes receivable	47,614	31,346
	<u>\$ 154,970</u>	<u>\$ 149,856</u>

3. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade accounts receivable	\$ 330,899	\$ 383,434
Goods and Services Tax recoverable	76,760	26,468
	<u>\$ 407,659</u>	<u>\$ 409,902</u>

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

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, 2023, no amounts had been drawn on the facility (2022 - \$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

	2023	2022
Payable to other governments	\$ 54,548	\$ 45,628
Trades and other accrued liabilities	45,762	61,071
Employee benefit obligation	11,755	11,096
	\$ 112,065	\$ 117,795

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.

	2022	Funding Received	Revenue Recognized	2023
Canada Community Building Fund	\$ 173,455	\$ 70,660	\$ (66,093)	\$ 178,022
Alberta Community Partnership	-	102,812	(32,343)	70,469
Municipal Sustainability Initiative	992,550	172,844	(1,098,170)	67,224
Other deferred revenue	35,919	40,186	(35,919)	40,186
	\$ 1,201,924	\$ 386,502	\$ (1,232,525)	\$ 355,901

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

7. ASSET RETIREMENT OBLIGATIONS

Tangible capital assets with associated retirement obligations include buildings.

The Village has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the Village to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Village to remove the materials when the asset retirement activities occur.

	2023	2022
Balance, beginning of year	\$ 153,958	\$ 146,766
Net change in the year		
Accretion expense	7,544	7,192
Balance, end of year	\$ 161,502	\$ 153,958

Asset retirement obligations of \$161,502 (2022 - \$153,958) was measured using present value technique. The present value was calculated using estimated total undiscounted cash flows amounting to \$279,000 (2022 - \$279,000), a discount rate of 4.90% (2022 - 4.90%), with retirement and reclamation activities expected to be settled between 2038 and 2063.

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:

	2023	2022
Total debt limit	\$ 3,074,667	\$ 2,552,666
Total debt	-	-
Amount of debt limit unused	\$ 3,074,667	\$ 2,552,666
Debt servicing limit	\$ 512,445	\$ 425,444
Debt servicing	-	-
Amount of service on debt limit unused	\$ 512,445	\$ 425,444

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, 2023

9. ACCUMULATED SURPLUS

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

	<u>2023</u>	<u>2022</u>
Unrestricted	\$ 2,446,126	\$ 1,627,629
Reserves		
Infrastructure stabilization reserve	479,904	479,904
Water capital reserve	251,990	176,162
Fire capital equipment reserve	231,053	167,262
General administration reserve	217,706	777,034
Parks and trail reserve	14,396	14,396
Fire capital reserve	12,138	12,138
Road capital reserve	8,922	8,922
Road maintenance reserve	8,263	8,263
Recycle reserve	6,668	6,668
Celebration legacy fund	6,416	6,416
	<u>1,237,456</u>	<u>1,657,165</u>
Equity in tangible capital assets	8,581,563	7,743,847
	<u>\$ 12,265,145</u>	<u>\$ 11,028,641</u>

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>2023</u>	<u>2022</u>
Tax sale surplus	<u>\$ 58,683</u>	<u>\$ 56,219</u>

11. FRANCHISE AND CONCESSION CONTRACTS

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

	<u>2023</u>	<u>2022</u>
ATCO Electric	\$ 53,552	\$ 55,402
ATCO Gas	<u>24,585</u>	<u>28,581</u>
	<u>\$ 78,137</u>	<u>\$ 83,983</u>

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

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 \$10,835 (2022 - \$13,085).

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.

14. FINANCIAL RISK MANAGEMENT

The Village's financial instruments consist of cash, taxes and grants in place of taxes receivable, trade and other receivables, land held for resale, accounts payable and accrued liabilities, and deposit liabilities. 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, 2023, 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, 2023

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, 2023

16. BUDGET

Budget figures presented in these financial statements are based on the 2023 operating and capital budgets adopted by Council on April 3, 2023.

17. APPROVAL OF THE FINANCIAL STATEMENTS

Council and management have approved these financial statements on April 2, 2024.

18. COMPARATIVE FIGURES

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

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

19. RESTATEMENT

Effective January 1, 2022, the Village adopted Canadian public sector accounting standard 3280, Asset Retirement Obligations, and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On January 1, 2023, the Village recognized the following to conform to the new standard

- Asset retirement obligation, adjusted for accumulated accretion to the effective date;
- Asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- Accumulated amortization on the capitalized cost; and
- Adjustment to the opening balance of accumulated surplus.

Additionally, as a result of the asset retirement obligation work performed, the Village identified assets acquired between 1973 and 1987 that were not recorded in the Village's tangible capital assets.

The effect on the financial statements has been as follows:

- Increase to tangible capital asset cost of \$71,309
- Increase to tangible capital asset accumulated amortization of \$42,816
- Increase to asset retirement obligations of \$146,766
- Increase to accretion expense of \$7,192
- Increase to amortization expense of \$1,229
- Decrease to annual surplus by \$8,421
- Decrease to opening accumulated surplus by \$118,272

The Village has identified payments from prior year work completed. No receivable accrual or revenue was previously recognized.

The effect on the financial statements has been as follows:

- Increase to trade and other receivables of \$285,718
- Increase to opening accumulated surplus by \$285,718

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

VILLAGE OF KITSCOTY
Notes to Financial Statements
Year Ended December 31, 2023

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)	2023	2022
Mayor J. Bell	\$ 9,000	\$ 327	\$ 9,327	\$ 7,202
Deputy Mayor D. Roth	8,100	-	8,100	8,100
Councillor G. Barr	6,600	184	6,784	6,779
Councillor D. Frank	6,600	184	6,784	8,893
Councillor K. Miciak	6,600	184	6,784	6,779
	<u>\$ 36,900</u>	<u>\$ 879</u>	<u>\$ 37,779</u>	<u>\$ 37,753</u>
Chief Administrative Officer	\$ 99,710	\$ 3,754	\$ 103,464	\$ 96,935

(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.