

**Village of Empress**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

## Management's Responsibility

To the Members of Council:

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 generally accepted accounting principles. 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 responsibilities 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 financial statements.

Council is composed entirely of individuals who are neither management nor employees of the Village. Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. Council fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Village's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

April 18, 2019



Management

## **Auditor's Report**

To the Members of Council:

### **Opinion**

We have audited the financial statements of the Village of Empress (the "Municipality"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets, cash flows, and related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### Report on Other Legal and Regulatory Requirements

- *Debt Limit Regulation:*  
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 8.
- *Supplementary Accounting Principles and Standards Regulation:*  
In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 12.

*MNP LLP*

Medicine Hat, Alberta  
April 18, 2019

Chartered Professional Accountants


**MNP**


**Village of Empress**  
**Statement of Financial Position**  
As at December 31, 2018

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	518,947	305,410
Receivables		
Taxes and grants in place of taxes (Note 3)	39,003	31,385
Trade and other accounts receivable	102,911	122,361
Inventory		
Land held for resale inventory	51,372	51,372
Gravel held for resale inventory	26,903	-
Investments (Note 4)	2,404	2,354
	<b>741,540</b>	<b>512,882</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	100,457	64,908
Deposit liabilities (Note 5)	1,400	18,400
Deferred revenue (Note 6)	284,227	183,781
Provision for gravel pit closure and post-closure costs (Note 7)	24,160	23,535
	<b>410,244</b>	<b>290,624</b>
<b>NET FINANCIAL ASSETS</b>	<b>331,296</b>	<b>222,258</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule II)	3,350,183	3,407,625
Prepaid expenses	3,120	3,226
	<b>3,353,303</b>	<b>3,410,851</b>
<b>ACCUMULATED SURPLUS</b> (Schedule I, Note 10)	<b>3,684,599</b>	<b>3,633,109</b>

Commitments and contingencies - See Notes 14 and 15

Approved by

  
Mayor

  
Councillor

The accompanying notes are an integral part of these financial statements

**Village of Empress**  
**Statement of Operations**  
For the year ended December 31, 2018

	Budget	2018	2017
<b>REVENUE</b>			
Net municipal taxes (Schedule III)	159,599	160,035	155,874
User fees and sales of goods	95,075	94,867	91,839
Government transfers for operating (Schedule IV)	148,350	147,815	130,319
Investment income	50	501	-
Penalties and costs of taxes	8,181	9,964	8,437
Licenses and permits	-	51	175
Franchise and concession contracts	3,225	3,393	3,189
Other	109,542	174,044	85,723
	524,022	590,670	475,556
<b>EXPENSES</b>			
Legislative	15,450	13,899	18,395
Administrative	184,692	184,960	188,869
Bylaws enforcement	28,312	26,169	29,857
Water supply and distribution	64,979	65,648	62,275
Wastewater treatment and disposal	28,190	22,715	21,307
Waste management	4,604	3,345	6,665
Family and community support	11,892	12,805	11,523
Land use planning, zoning and development	43,989	42,981	5,595
Common	850	33	345
Cultural	155,439	145,699	148,887
Recreation and culture	93,231	88,415	83,147
	631,628	606,669	576,865
<b>SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER</b>	(107,606)	(15,999)	(101,309)
<b>OTHER</b>			
Government transfers for capital (Schedule IV)	97,000	67,489	39,396
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	(10,606)	51,490	(61,913)
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	3,633,109	3,633,109	3,695,022
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	3,622,503	3,684,599	3,633,109

The accompanying notes are an integral part of these financial statements

**Village of Empress**  
**Statement of Changes in Net Financial Assets**  
For the year ended December 31, 2018

	Budget	2018	2017
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>	(10,606)	51,490	(61,913)
Acquisition of tangible capital assets	(119,500)	(59,390)	(89,426)
Amortization of tangible capital assets	117,251	116,832	120,137
	(2,249)	57,442	30,711
Acquisition (use) of prepaid assets	-	106	(748)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(12,855)	109,038	(31,950)
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	222,258	222,258	254,208
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	209,403	331,296	222,258

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

**Village of Empress**  
**Statement of Cash Flows**  
For the year ended December 31, 2018

	2018	2017
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Excess (deficiency) of revenues over expenses	51,490	(61,913)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	116,832	120,137
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(7,618)	(3,865)
Decrease (increase) in trade and other accounts receivable	19,450	(26,207)
Decrease (increase) in land held for resale	-	(1,115)
Decrease (increase) in prepaid expenses	105	(748)
Decrease (increase) in receivable from other governments	(26,903)	-
Increase (decrease) in accounts payable and accrued liabilities	35,549	8,649
Increase (decrease) in deposit liabilities	(17,000)	17,000
Increase (decrease) in deferred revenue	100,446	159,071
Increase (decrease) in provision for landfill closure/post-closure	625	(18,110)
Cash provided by operating transactions	272,976	192,899
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(59,390)	(89,426)
<b>INVESTING</b>		
Increase in other investments	(50)	(150)
<b>CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR</b>	<b>213,536</b>	<b>103,323</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>305,410</b>	<b>202,087</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)</b>	<b>518,946</b>	<b>305,410</b>

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



**Village of Empress**  
**Schedule I - Schedule of Changes in Accumulated Surplus**  
For the year ended December 31, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
<b>BALANCE, BEGINNING OF YEAR</b>	<b>1,369</b>	<b>224,115</b>	<b>3,407,625</b>	<b>3,633,109</b>	<b>3,695,022</b>
Excess of revenue over expenses	51,490	-	-	51,490	(61,913)
Transfers to reserves	(110,000)	110,000	-	-	-
Current year funds used for tangible capital assets	(59,390)	-	59,390	-	-
Annual amortization expense	116,832	-	(116,832)	-	-
<b>Change in accumulated surplus</b>	<b>(1,068)</b>	<b>110,000</b>	<b>(57,442)</b>	<b>51,490</b>	<b>(61,913)</b>
<b>BALANCE, END OF YEAR</b>	<b>301</b>	<b>334,115</b>	<b>3,350,183</b>	<b>3,684,599</b>	<b>3,633,109</b>

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**Village of Empress**  
**Schedule II - Schedule of Tangible Capital Assets**  
For the year ended December 31, 2018

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2018	2017
<b>COST:</b>								
BALANCE, BEGINNING OF YEAR	43,407	450,909	945,296	3,256,350	467,590	186,723	5,350,275	5,260,849
Acquisition of tangible capital assets	-	-	8,000	38,926	12,464	-	59,390	89,426
BALANCE, END OF YEAR	43,407	450,909	953,296	3,295,276	480,054	186,723	5,409,665	5,350,275
<b>ACCUMULATED AMORTIZATION:</b>								
BALANCE, BEGINNING OF YEAR	-	52,570	184,324	1,347,159	239,968	118,629	1,942,650	1,822,513
Annual amortization	-	19,574	22,812	41,192	23,874	9,380	116,832	120,137
BALANCE, END OF YEAR	-	72,144	207,136	1,388,351	263,842	128,009	2,059,482	1,942,650
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>43,407</b>	<b>378,765</b>	<b>746,160</b>	<b>1,906,925</b>	<b>216,212</b>	<b>58,714</b>	<b>3,350,183</b>	<b>3,407,625</b>
<b>2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>43,407</b>	<b>398,339</b>	<b>760,972</b>	<b>1,909,191</b>	<b>227,622</b>	<b>68,094</b>	<b>3,407,625</b>	

**Village of Empress**  
**Schedule III - Schedule of Net Municipal Taxes**

For the year ended December 31, 2018

	Budget	2018	2017
<b>TAXATION</b>			
Real property taxes	175,372	176,323	171,647
Linear property taxes	5,641	5,659	5,641
Government grants in lieu of property taxes	3,851	3,865	3,851
	184,864	185,847	181,139
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	19,917	21,302	19,917
Seniors Foundation	5,348	4,510	5,348
	25,265	25,812	25,265
<b>NET MUNICIPAL TAXES</b>	159,599	160,035	155,874

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

**Village of Empress**  
**Schedule IV - Schedule of Government Transfers**  
For the year ended December 31, 2018

	Budget	2018	2017
<b>TRANSFERS FOR OPERATING</b>			
Provincial Government	55,838	64,295	36,359
Federal Government	2,200	-	2,198
Other Local Governments	90,312	83,520	91,762
	148,350	147,815	130,319
<b>TRANSFERS FOR CAPITAL</b>			
Provincial Government	18,500	31,307	20,630
Federal Government	67,500	25,950	3,749
Other Local Governments	11,000	10,232	15,017
	97,000	67,489	39,396
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>245,350</b>	<b>215,304</b>	<b>169,715</b>

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

**Village of Empress**  
**Schedule V - Schedule of Expenses by Object**  
For the year ended December 31, 2018

	Budget	2018	2017
<b>EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	214,135	214,823	223,850
Contracted and general services	138,036	119,327	85,768
Materials, goods and utilities	149,656	134,900	134,978
Transfers to local boards and agencies	11,000	18,900	10,500
Bank charges and short-term interest	1,550	1,887	1,632
Amortization of tangible capital assets	117,251	116,832	120,137
	631,628	606,669	576,865

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

**Village of Empress**  
**Schedule VI - Schedule of Segmented Disclosure**  
For the year ended December 31, 2018

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
<b>REVENUE</b>								
Net municipal taxes	160,035	-	-	-	-	-	-	160,035
Government transfers	-	-	197,804	-	-	-	-	197,803
User fees and sales of goods	-	-	-	-	-	94,867	-	94,867
Other revenues	10,073	3,393	-	-	-	-	191,988	205,454
	170,108	3,393	197,804	-	-	94,867	191,988	658,159
<b>EXPENSES</b>								
Contract & general services	18,094	4,146	1,341	42,981	14,411	35,330	3,024	119,327
Salaries & wages	108,758	1,654	48,756	-	23,191	24,571	7,893	214,823
Goods & supplies	56,654	3,745	47,747	-	18,270	7,398	1,086	134,900
Transfers to local boards	8,098	-	-	-	10,000	-	802	18,900
Other expenses	1,887	-	-	-	-	-	-	1,887
	193,491	9,545	97,844	42,981	65,872	67,299	12,805	489,837
<b>NET REVENUE, BEFORE AMORTIZATION</b>	(23,383)	(6,152)	99,960	(42,981)	(65,872)	27,568	179,183	168,322
Amortization expense	5,368	16,657	47,855	-	22,543	24,409	-	116,832
<b>NET REVENUE</b>	(28,751)	(22,809)	52,105	(42,981)	(88,415)	3,159	179,183	51,490

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Empress (the "Village") are the representations of management prepared in accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Village of Empress are as follows:

**a) Reporting Entity**

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

The schedule of taxes levied also includes requisitions for education, health, social and senior foundations that are not part of the Village's reporting entity.

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

**b) Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

**c) Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts as provided where necessary. Amortization is based on the estimated lives of tangible capital assets.

Expenditures that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration. Annual provisions for these costs are amortized on a straightline basis over 25 years.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

**d) Investments**

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**e) Debt Charges Recoverable**

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

**f) Requisition Over-levy and Under-levy**

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

**g) Inventories for Resale**

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

**h) Tax Revenue**

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**i) Gravel Closure and Post-Closure Liability**

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its gravel site and provide for post-closure care of the site. Closure and post-closure activities include landscaping, as well as surface and ground water monitoring, and visual inspection. The requirement is being provided for over the estimated remaining life of the gravel site based on usage.

**j) Prepaid Local Improvement Charges**

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Village.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized into revenue by an amount equal to the debt repayment.



**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued from previous page)*

**k) Government Transfers**

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

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

**l) 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 revenue over expenses, provides the Change in Net Financial Assets for the year.

**m) Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized over the estimated useful life as follows:

	<u>Years</u>
Buildings	40
Land improvements	20
Engineered structures:	
Water system	75
Wastewater system	75
Other engineered structures	25 - 40
Machinery and equipment	4-15
Vehicles	10

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii. Contributions of Tangible Capital Assets**

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

**iii. Leases**

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**n) Employee Future Benefits and Obligations**

Selected employees of the Village are members of the Local Authority Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Village does not recognize its share of any plan surplus or deficit.

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

**Village of Empress**  
**Notes to the Financial Statements**  
For the year ended December 31, 2018

**2. CASH**

	2018	2017
Cash	518,947	305,410

Included in cash are restricted amounts of \$284,227 (2017 - \$183,781) received from the Municipal Sustainability Initiative and other sources and held exclusively for approved projects (Note 6).

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	2018	2017
Current taxes and grants in place of taxes	34,652	21,288
Arrears taxes	4,351	10,097
	<b>39,003</b>	<b>31,385</b>

**4. INVESTMENTS**

	2018	2017
Equity investments in UFA and South Country Co-op	2,404	2,354

**5. DEPOSIT LIABILITIES**

In addition to utility deposits totaling \$300 (2017 - \$300), the Village holds deposits related to lot improvements of \$1,100 (2017 - \$18,100).

**6. DEFERRED REVENUE**

	2018	2017
Municipal Sustainability Initiative - Capital	236,725	122,496
Federal Gas Tax Fund	7,589	7,589
Other deferred revenue	39,913	53,696
	<b>284,227</b>	<b>183,781</b>

**Alberta Municipal Sustainability Initiative**

Funding is received annually from the Municipal Sustainability Initiative Program. The use of these funds is restricted to eligible operating costs and eligible capital projects, as approved under the funding agreement.

**Federal Gas Tax Fund**

Funding was received from 2014 to 2016 from the Federal Gas Tax Fund. The use of these funds is restricted to eligible capital projects as approved under the funding agreement.

**7. PROVISION FOR GRAVEL PIT CLOSURE AND POST-CLOSURE LIABILITY**

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the Environmental Protection Act. These costs include landscaping as well as surface and ground water monitoring and visual inspections. There is uncertainty with the respect to the measurement of estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. A third party commitment exists for those who hold claims on the stockpiles in the gravel pits owned by the Village for the future reclamation.

Due to the unknown timeline of actual gravel usage, the term of the reclamation is unknown. The accrued liability portion is a current valuation based on the report received by the Village in the 2017 year. As future expansion is planned, the fair market value of the liability will be adjusted on an annual basis when expansion of the site occurs plus an annual accretion adjustment for inflation at a rate of 2%.

The total capacity of the site is estimated at 675,000 cubic meters with the estimated remaining capacity of 666,353 cubic meters.

The Village has not designated assets for settling closure and post-closure liabilities.

	2018	2017
<b>Estimated total liability</b>	<b>117,300</b>	<b>115,000</b>
<b>Estimated capacity remaining</b>	<b>72.81 %</b>	<b>72.81 %</b>
<b>Portion of total liability remaining to be recognized</b>	<b>85,405</b>	<b>83,730</b>
<b>Estimated capacity used</b>	<b>27.19 %</b>	<b>27.19 %</b>
<b>Total accrued liability</b>	<b>31,895</b>	<b>31,270</b>
<b>Less: Amounts receivable from Special Areas</b>	<b>(7,735)</b>	<b>(7,735)</b>
<b>Accrued liability portion</b>	<b>24,160</b>	<b>23,535</b>

**Village of Empress**  
**Notes to the Financial Statements**  
For the year ended December 31, 2018

**8. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Empress be disclosed as follows:

	2018	2017
Total debt limit	886,005	713,334
Total debt	-	-
Amount of debt limit unused	886,005	713,334
Debt servicing limit	147,668	118,889
Debt servicing	-	-
Amount of debt servicing limit unused	147,668	118,889

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**9. EQUITY IN TANGIBLE CAPITAL ASSETS**

	2018	2017
Tangible capital assets (Schedule II)	5,409,665	5,350,275
Accumulated amortization (Schedule II)	(2,059,482)	(1,942,650)
	3,350,183	3,407,625

**10. ACCUMULATED SURPLUS**

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

	2018	2017
Unrestricted surplus	301	1,369
Restricted surplus	334,115	224,115
Equity in tangible capital assets (Note 9)	3,350,183	3,407,625
	3,684,599	3,633,109

**11. SEGMENTED DISCLOSURE**

The Village of Empress provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule VI).

## 12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary <sup>1</sup>	Benefits & allowances <sup>2</sup>	2018	2017
Mayor:				
C. Van Dam	-	-	-	4,025
S. Crooker	-	5,184	5,184	1,056
Councillors:				
A. Jonston	-	-	-	1,837
B. Farnden	-	-	-	1,679
R. Gill	-	5,426	5,426	1,492
C. Cooper	-	1,527	1,527	690
C.A.O.	64,000	13,706 <sup>3</sup>	77,706	77,589

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

## 13. LOCAL AUTHORITIES PENSION PLAN

Employees of the Village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 250,000 people and 422 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service contributions are recorded as expenditures in the year in which they become due. Contributions for current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2018 were \$11,548 (2017 - \$12,494). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2018 were \$10,472 (2017 - \$11,427).

At December 31, 2017, the LAPP disclosed a surplus of \$4,835,515 thousand (2016 - deficit of \$637,357 thousand).

## 14. COMMITMENTS

The Village has entered into a memorandum of understanding with the Acadia Foundation to assist with the repayment of debt associated with the Acadia Foundation's expansion. Presently, the Acadia Foundation is undertaking the Acadia Foundation Building Expansion Project which includes upgrades, renovations, construction and expansion of the three lodges in the communities of Oyen, Consort and Hanna. In order to fund the project the Foundation will borrow not more than \$25 million over the term of the project. As of December 31, 2008 the Foundation had borrowed the entire \$25 million to fund constructions. The Village, as a municipality to the Acadia Foundation, is committed to pay their proportional share of the borrowing based on the equalized assessment for the year in which the funds were borrowed. The Village's share of the borrowing will be repaid over a period of 10 years in the amount of approximately \$3,280 per year.

**15. CONTINGENCIES**

The Village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the Village could become liable for its proportionate share 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.

**16. FINANCIAL INSTRUMENTS**

The Village's financial instruments consist of cash, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Village is not exposed to significant interest or currency risks arising from these financial instruments.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other accounts 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.

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

**17. RECONCILIATION OF OPERATING RESULTS TO BUDGET**

The December 31, 2018 budget, prepared by the Village of Empress, reflects all municipal activities including capital purchases, debt repayments and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only. It should not be used as a replacement for the statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget	2018	2017
Excess (deficiency) of revenue over expenditures, per financial statements	(10,606)	51,490	(61,913)
Add back:			
Amortization expense	117,251	116,832	120,137
Net transfers (to) from reserves	22,137	(110,000)	31,202
Deduct:			
Tangible capital asset purchases	(119,500)	(59,390)	(89,426)
Results of operations	9,282	(1,068)	-

**18. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.