

Village of Empress
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 22, 2020

A handwritten signature in black ink, appearing to read "ROSS", is written over a horizontal line.

C.A.O.

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, 2019, and the statements of operations, changes in net financial assets, cash flows, and related schedules, I to VI, 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, 2019, 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.

Medicine Hat, Alberta
April 22, 2020

MNP LLP

Chartered Professional Accountants

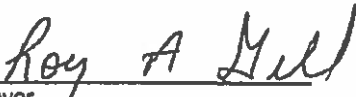
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Village of Empress
Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash (Note 2)	252,276	518,947
Receivables		
Taxes and grants in place of taxes (Note 3)	41,501	39,003
Trade and other accounts receivable	275,645	102,911
Inventory		
Land held for resale inventory	63,859	51,372
Gravel held for resale inventory	26,903	26,903
Investments (Note 4)	2,638	2,404
	662,822	741,540
LIABILITIES		
Accounts payable and accrued liabilities	53,117	100,457
Deposit liabilities (Note 5)	-	1,400
Deferred revenue (Note 6)	258,749	284,227
Provision for gravel pit closure and post-closure costs (Note 7)	24,693	24,160
	336,559	410,244
NET FINANCIAL ASSETS	326,263	331,296
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	3,930,346	3,350,183
Prepaid expenses	3,439	3,120
	3,933,785	3,353,303
ACCUMULATED SURPLUS (Schedule I, Note 10)	4,260,048	3,684,599

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, 2019

	Budget	2019	2018
REVENUE			
Net municipal taxes (Schedule III)	161,581	161,421	160,035
User fees and sales of goods	101,025	94,347	94,867
Government transfers for operating (Schedule IV)	154,231	147,563	147,815
Investment income	450	265	501
Penalties and costs of taxes	9,250	12,848	9,964
Licenses and permits	-	25	51
Franchise and concession contracts	3,400	3,130	3,393
Other	45,207	47,436	174,044
	475,144	467,035	590,670
EXPENSES			
Legislative	17,300	17,484	13,899
Administrative	181,363	187,132	184,960
Bylaws enforcement	28,011	29,909	26,169
Water supply and distribution	67,364	72,530	65,648
Wastewater treatment and disposal	17,615	21,188	22,715
Waste management	3,574	4,023	3,345
Family and community support	12,363	15,664	12,805
Land use planning, zoning and development	26,108	23,066	42,981
Common	-	-	33
Cultural	152,170	141,127	145,699
Recreation and culture	92,609	85,278	88,415
	598,477	597,401	606,669
SHORTFALL OF REVENUE OVER EXPENSES - BEFORE OTHER	(123,333)	(130,366)	(15,999)
OTHER			
Gain on disposal of tangible capital assets	-	95	-
Government transfers for capital (Schedule IV)	1,329,278	705,720	67,489
EXCESS OF REVENUE OVER EXPENSES	1,205,945	575,449	51,490
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,684,599	3,684,599	3,633,109
ACCUMULATED SURPLUS, END OF YEAR	4,890,544	4,260,048	3,684,599

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, 2019

	Budget	2019	2018
EXCESS OF REVENUE OVER EXPENSES	1,205,945	575,449	51,490
Acquisition of tangible capital assets	(1,350,463)	(705,720)	(59,390)
Proceeds on disposal of tangible capital assets	-	3,000	-
Amortization of tangible capital assets	118,081	120,152	116,832
Write down of tangible capital assets	-	2,500	-
Gain on sale of tangible capital assets	-	(95)	-
Acquisition (use) of prepaid assets	(26,437)	(4,714)	108,932
	-	(319)	106
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(26,437)	(5,033)	109,038
NET FINANCIAL ASSETS, BEGINNING OF YEAR	331,296	331,296	222,258
NET FINANCIAL ASSETS, END OF YEAR	304,859	326,263	331,296

The accompanying notes are an integral part of these financial statements

Village of Empress
Statement of Cash Flows
For the year ended December 31, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	575,449	51,490
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	120,152	116,832
Gain on disposal of tangible capital assets	(95)	-
Write down of tangible capital assets	2,500	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(2,498)	(7,618)
Decrease (increase) in trade and other accounts receivable	(172,734)	19,450
Decrease (increase) in land held for resale	(12,487)	-
Decrease (increase) in prepaid expenses	(319)	105
Decrease (increase) in gravel held for resale	-	(26,903)
Increase (decrease) in accounts payable and accrued liabilities	(47,340)	35,550
Increase (decrease) in deposit liabilities	(1,400)	(17,000)
Increase (decrease) in deferred revenue	(25,478)	100,446
Increase (decrease) in provision for landfill closure/post-closure	533	625
Cash provided by operating transactions	436,283	272,977
CAPITAL		
Proceeds on sale of tangible capital assets	3,000	-
Acquisition of tangible capital assets	(705,720)	(59,390)
Cash applied to capital transactions	(702,720)	(59,390)
INVESTING		
Increase in other investments	(234)	(50)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(266,671)	213,537
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	518,947	305,410
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	252,276	518,947

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, 2019

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	301	334,115	3,350,183	3,684,599	3,633,109
Excess of revenue over expenses	575,449	-	-	575,449	51,490
Restricted funds for operations	10,000	(10,000)	-	-	-
Current year funds used for tangible capital assets	(705,720)	-	705,720	-	-
Annual amortization expense	120,152	-	(120,152)	-	-
Disposal of tangible capital assets	5,405	-	(5,405)	-	-
Change in accumulated surplus	5,286	(10,000)	580,163	575,449	51,490
BALANCE, END OF YEAR	5,587	324,115	3,930,346	4,260,048	3,684,599

The accompanying notes are an integral part of these financial statements

Village of Empress
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2019

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2019	2018
COST:								
BALANCE, BEGINNING OF YEAR	43,407	450,909	953,296	3,295,276	480,054	186,723	5,409,665	5,350,275
Acquisition of tangible capital assets	-	-	169,683	516,983	19,054	-	705,720	59,390
Disposal of tangible capital assets	-	-	-	-	(5,500)	-	(5,500)	-
Write down of tangible capital assets	(2,500)	-	-	-	-	-	(2,500)	-
BALANCE, END OF YEAR	40,907	450,909	1,122,979	3,812,259	493,608	186,723	6,107,385	5,409,665
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	72,144	207,136	1,388,351	263,842	128,009	2,059,482	1,942,650
Annual amortization	-	19,574	26,948	39,356	24,894	9,380	120,152	116,832
Accumulated amortization on disposals	-	-	-	-	(2,595)	-	(2,595)	-
BALANCE, END OF YEAR	-	91,718	234,084	1,427,707	286,141	137,389	2,177,039	2,059,482
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	359,191	888,895	2,384,552	207,467	49,334	3,930,346	3,350,183
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	43,407	378,765	746,160	1,906,925	216,212	58,714	3,350,183	

The accompanying notes are an integral part of these financial statements

Village of Empress
Schedule III - Schedule of Net Municipal Taxes
For the year ended December 31, 2019

	Budget	2019	2018
TAXATION			
Real property taxes	177,996	177,839	176,323
Linear property taxes	5,488	5,486	5,659
Government grants in lieu of property taxes	3,903	3,902	3,865
	187,387	187,227	185,847
REQUISITIONS			
Alberta School Foundation Fund	21,312	21,312	21,302
Seniors Foundation	4,494	4,494	4,510
	25,806	25,806	25,812
NET MUNICIPAL TAXES	161,581	161,421	160,035

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, 2019

	Budget	2019	2018
TRANSFERS FOR OPERATING			
Provincial Government	61,519	50,171	64,295
Federal Government	4,400	9,819	-
Other Local Governments	88,312	87,573	83,520
	154,231	147,563	147,815
TRANSFERS FOR CAPITAL			
Provincial Government	160,000	218,636	31,307
Federal Government	787,019	477,557	25,950
Other Local Governments	382,259	9,527	10,232
	1,329,278	705,720	67,489
TOTAL GOVERNMENT TRANSFERS	1,483,509	853,283	215,304

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, 2019

	Budget	2019	2018
EXPENSES BY OBJECT			
Salaries, wages and benefits	222,158	231,298	214,823
Contracted and general services	103,177	96,845	119,327
Materials, goods and utilities	142,761	136,420	134,900
Transfers to local boards and agencies	10,500	10,928	18,900
Bank charges and short-term interest	1,800	1,758	1,887
Amortization of tangible capital assets	118,081	120,152	116,832
	598,477	597,401	606,669

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, 2019

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	161,440	-	-	-	-	-	-	161,440
Government transfers	-	-	838,283	-	-	-	-	838,283
User fees and sales of goods	-	-	-	-	-	94,347	-	94,347
Other revenues	12,992	3,130	-	-	-	-	62,658	78,780
	174,432	3,130	838,283	-	-	94,347	62,658	1,172,850
EXPENSES								
Contract & general services	24,543	4,286	235	23,066	4,555	37,599	2,561	96,845
Salaries & wages	112,288	3,960	48,912	-	26,663	28,932	10,543	231,298
Goods & supplies	56,766	3,820	45,977	-	21,424	6,723	1,710	136,420
Transfers to local boards	-	-	-	-	10,000	78	850	10,928
Other expenses	1,758	-	-	-	-	-	-	1,758
	195,355	12,066	95,124	23,066	62,642	73,332	15,664	477,249
NET REVENUE, BEFORE AMORTIZATION	(20,923)	(8,936)	743,159	(23,066)	(62,642)	21,015	46,994	695,601
Amortization expense	9,261	17,843	46,003	-	22,636	24,409	-	120,152
NET REVENUE	(30,184)	(26,779)	697,156	(23,066)	(85,278)	(3,394)	46,994	575,449

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 Pit 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, 2019

2. CASH

	2019	2018
Cash	252,276	518,947

Included in cash are restricted amounts of \$220,843 (2018 - \$284,227) 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

	2019	2018
Current taxes and grants in place of taxes	37,679	34,652
Arrears taxes	3,822	4,351
	41,501	39,003

4. INVESTMENTS

	2019	2018
Equity investments in UFA and South Country Co-op	2,638	2,404

5. DEPOSIT LIABILITIES

There are no deposits held in the current year. In the prior year, in addition to utility deposits totaling \$300, the Village held deposits related to lot improvements of \$1,100.

6. DEFERRED REVENUE

	2019	2018
Municipal Sustainability Initiative - Capital	180,342	236,725
Federal Gas Tax Fund	37,906	7,589
Other deferred revenue	40,501	39,913
	258,749	284,227

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. \$56,383 of these funds were allocated to capital projects in 2019.

Federal Gas Tax Fund

Funding was received from 2014 to 2019 from the Federal Gas Tax Fund. The use of these funds is restricted to eligible capital projects as approved under the funding agreement.

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2019

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 1.6%.

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.

	2019	2018
Estimated total liability	119,260	117,300
 Estimated capacity remaining	 72.81 %	 72.81 %
Portion of total liability remaining to be recognized	86,832	85,405
 Estimated capacity used	 27.19 %	 27.19 %
Total accrued liability	32,428	31,895
Less: Amounts receivable from Special Areas	(7,735)	(7,735)
Accrued liability portion	24,693	24,160

Village of Empress
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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:

	2019	2018
Total debt limit	700,553	886,005
Total debt	-	-
Amount of debt limit unused	700,553	886,005
Debt servicing limit	116,759	147,668
Debt servicing	-	-
Amount of debt servicing limit unused	116,759	147,668

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

	2019	2018
Tangible capital assets (Schedule II)	6,107,385	5,409,665
Accumulated amortization (Schedule II)	(2,177,039)	(2,059,482)
	3,930,346	3,350,183

10. ACCUMULATED SURPLUS

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

	2019	2018
Unrestricted surplus	5,587	301
Restricted surplus	324,115	334,115
Equity in tangible capital assets (Note 9)	3,930,346	3,350,183
	4,260,048	3,684,599

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).

Village of Empress
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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 ¹	Benefits & allowances ²	2019	2018
Mayor:				
C. Van Dam	-	-	-	-
S. Crooker	-	4,329	4,329	5,184
Councillors:				
R. Gill	-	9,417	9,417	5,426
C. Cooper	-	1,960	1,960	1,527
C.A.O.	65,000	13,431 ³	78,431	77,706

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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2019 were \$10,543 (2018 - \$11,548). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2019 were \$9,456 (2018 - \$10,472).

At December 31, 2018, the LAPP disclosed a surplus of \$3.469 billion.

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, 2019 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	2019	2018
Excess of revenue over expenditures, per financial statements	1,205,945	575,449	51,490
Add back:			
Amortization expense	118,081	120,152	116,832
Proceeds on disposal of tangible capital assets	-	3,000	-
Net transfers (to) from reserves	26,437	10,000	(110,000)
Deduct:			
Tangible capital asset purchases	(1,350,463)	(705,720)	(59,390)
Loss (gain) on disposal of tangible capital assets	-	2,405	-
Results of operations	-	5,286	(1,068)

18. SUBSEQUENT EVENTS

Subsequent to year-end, there was a global outbreak of COVID-19, which has had a significant impact on organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Municipality as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced ability to host fundraising events, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Village's operations and financial condition.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.