

Village of Empress
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 15, 2021



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, 2020, 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, 2020, 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 7.
- *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 11.

**Medicine Hat, Alberta
April 15, 2021**

MNP LLP

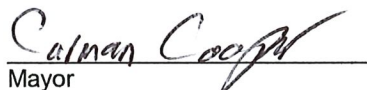
Chartered Professional Accountants

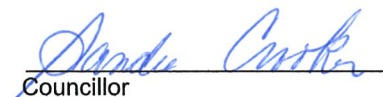
Village of Empress
Statement of Financial Position
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (Note 2)	570,065	252,276
Receivables		
Taxes and grants in place of taxes (Note 3)	28,133	41,501
Trade and other accounts receivable	112,116	275,645
Inventory		
Land held for resale inventory	60,520	63,859
Gravel held for resale inventory	26,903	26,903
Investments (Note 4)	2,670	2,638
	800,407	662,822
LIABILITIES		
Accounts payable and accrued liabilities	66,788	53,117
Deferred revenue (Note 5)	281,425	258,749
Provision for gravel pit closure and post-closure costs (Note 6)	25,235	24,693
	373,448	336,559
NET FINANCIAL ASSETS	426,959	326,263
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	4,400,942	3,930,346
Prepaid expenses	67	3,439
	4,401,009	3,933,785
ACCUMULATED SURPLUS (Schedule I, Note 9)	4,827,968	4,260,048

Commitments and contingencies - See Notes 13 and 14

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, 2020

	Budget	2020	2019
REVENUE			
Net municipal taxes (Schedule III)	161,059	163,009	161,421
User fees and sales of goods	94,550	113,617	94,347
Government transfers for operating (Schedule IV)	153,977	155,067	147,563
Investment income	245	414	265
Penalties and costs of taxes	10,250	12,514	13,576
Licenses and permits	-	149	25
Franchise and concession contracts	3,400	3,401	3,130
Sale of lots	84,800	31,050	-
Other	158,230	79,738	46,708
	666,511	558,959	467,035
EXPENSES			
Legislative	18,900	7,730	17,484
Administrative	191,121	194,419	187,132
Bylaws enforcement	28,036	29,027	29,909
Water supply and distribution	70,229	93,809	72,530
Wastewater treatment and disposal	10,263	6,014	8,283
Waste management	18,316	18,611	16,928
Family and community support	15,793	16,697	15,664
Land use planning, zoning and development	56,108	13,416	23,066
Transportation	148,417	135,414	141,127
Recreation, culture and economic development	91,836	91,186	85,278
	649,019	606,323	597,401
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	17,492	(47,364)	(130,366)
OTHER			
Gain on disposal of tangible capital assets	-	6,150	95
Government transfers for capital (Schedule IV)	691,980	609,133	705,720
EXCESS OF REVENUE OVER EXPENSES	709,472	567,919	575,449
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,260,048	4,260,048	3,684,599
ACCUMULATED SURPLUS, END OF YEAR	4,969,520	4,827,967	4,260,048

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, 2020

	Budget	2020	2019
EXCESS OF REVENUE OVER EXPENSES	709,472	567,919	575,449
Acquisition of tangible capital assets	(691,980)	(626,101)	(705,720)
Proceeds on disposal of tangible capital assets	-	12,780	3,000
Amortization of tangible capital assets	118,081	148,876	120,152
Write down of tangible capital assets	-	-	2,500
Gain on sale of tangible capital assets	-	(6,150)	(95)
	135,573	97,324	(4,714)
Acquisition (use) of prepaid assets	-	3,372	(319)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	135,573	100,696	(5,033)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	326,263	326,263	331,296
NET FINANCIAL ASSETS, END OF YEAR	461,836	426,959	326,263

The accompanying notes are an integral part of these financial statements

Village of Empress
Statement of Cash Flows
For the year ended December 31, 2020

	2020	2019
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	567,919	575,449
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	148,876	120,152
Gain on disposal of tangible capital assets	(6,150)	(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	13,368	(2,498)
Decrease (increase) in trade and other accounts receivable	163,529	(172,734)
Decrease (increase) in land held for resale	3,339	(12,487)
Decrease (increase) in prepaid expenses	3,372	(319)
Increase (decrease) in accounts payable and accrued liabilities	13,671	(47,340)
Increase (decrease) in deposit liabilities	-	(1,400)
Increase (decrease) in deferred revenue	22,676	(25,478)
Increase (decrease) in provision for landfill closure/post-closure	542	533
Cash provided by operating transactions	931,142	436,283
CAPITAL		
Proceeds on sale of tangible capital assets	12,780	3,000
Acquisition of tangible capital assets	(626,101)	(705,720)
Cash applied to capital transactions	(613,321)	(702,720)
INVESTING		
Increase in other investments	(32)	(234)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	317,789	(266,671)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	252,276	518,947
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	570,065	252,276

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, 2020

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2020	2019
BALANCE, BEGINNING OF YEAR	5,587	324,115	3,930,346	4,260,048	3,684,599
Excess of revenue over expenses	567,919	-	-	567,919	575,449
Restricted funds for operations	(100,000)	100,000	-	-	-
Current year funds used for tangible capital assets	(626,101)	-	626,101	-	-
Annual amortization expense	148,876	-	(148,876)	-	-
Disposal of tangible capital assets	6,630	-	(6,630)	-	-
Change in accumulated surplus	(2,676)	100,000	470,595	567,919	575,449
BALANCE, END OF YEAR	2,911	424,115	4,400,941	4,827,967	4,260,048

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, 2020

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2020	2019
COST:								
BALANCE, BEGINNING OF YEAR	40,907	482,178	1,122,979	3,808,748	465,851	186,723	6,107,386	5,409,665
Acquisition of tangible capital assets	-	-	-	565,755	60,346	-	626,101	705,720
Disposal of tangible capital assets	-	-	-	-	(31,318)	(15,000)	(46,318)	(5,500)
Write down of tangible capital assets	-	-	-	-	-	-	-	(2,500)
BALANCE, END OF YEAR	40,907	482,178	1,122,979	4,374,503	494,879	171,723	6,687,169	6,107,385
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	91,718	234,084	1,453,773	260,075	137,389	2,177,039	2,059,482
Annual amortization	-	19,574	26,948	40,611	52,363	9,380	148,876	120,152
Accumulated amortization on disposals	-	-	-	-	(26,188)	(13,500)	(39,688)	(2,595)
BALANCE, END OF YEAR	-	111,292	261,032	1,494,384	286,250	133,269	2,286,227	2,177,039
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	370,886	861,947	2,880,119	208,629	38,454	4,400,942	3,930,346
2019 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	390,460	888,895	2,354,975	205,776	49,334	3,930,347	

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, 2020

	Budget	2020	2019
TAXATION			
Real property taxes	177,325	175,151	177,839
Linear property taxes	5,485	5,355	5,486
Government grants in lieu of property taxes	3,903	8,137	3,902
	186,713	188,643	187,227
REQUISITIONS			
Alberta School Foundation Fund	19,815	19,795	21,312
Seniors Foundation	3,306	3,306	4,494
Policing	2,533	2,533	-
	25,654	25,634	25,806
NET MUNICIPAL TAXES	161,059	163,009	161,421

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, 2020

	Budget	2020	2019
TRANSFERS FOR OPERATING			
Provincial Government	61,791	66,109	50,171
Federal Government	3,800	6,300	9,819
Other Local Governments	88,386	82,658	87,573
	153,977	155,067	147,563
TRANSFERS FOR CAPITAL			
Provincial Government	239,616	222,346	218,636
Federal Government	442,364	377,031	477,557
Other Local Governments	10,000	9,756	9,527
	691,980	609,133	705,720
TOTAL GOVERNMENT TRANSFERS	845,957	764,200	853,283

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, 2020

	Budget	2020	2019
EXPENSES BY OBJECT			
Salaries, wages and benefits	231,393	222,301	231,298
Contracted and general services	140,387	79,162	96,845
Materials, goods and utilities	146,480	136,080	136,420
Transfers to local boards and agencies	10,928	17,186	10,928
Bank charges and short-term interest	1,800	2,718	1,758
Amortization of tangible capital assets	118,081	148,876	120,152
	649,069	606,323	597,401

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, 2020

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	163,009	-	-	-	-	-	-	163,009
Government transfers	-	-	764,200	-	-	-	-	764,200
User fees and sales of goods	-	-	-	-	-	113,617	-	113,617
Other revenues	12,409	3,401	-	-	-	-	117,606	133,416
	175,418	3,401	764,200	-	-	113,617	117,606	1,174,242
EXPENSES								
Contract & general services	10,516	3,651	840	13,416	14,368	33,997	2,374	79,162
Salaries & wages	114,130	1,000	50,248	-	21,300	24,799	10,824	222,301
Goods & supplies	64,351	5,319	40,460	-	18,912	6,539	499	136,080
Transfers to local boards	56	-	-	-	14,130	-	3,000	17,186
Other expenses	2,718	-	-	-	-	-	-	2,718
	191,771	9,970	91,548	13,416	68,710	65,335	16,697	457,447
NET REVENUE, BEFORE AMORTIZATION	(16,353)	(6,569)	672,652	(13,416)	(68,710)	48,282	100,909	716,795
Amortization expense	10,378	19,057	43,866	-	22,476	53,099	-	148,876
NET REVENUE	(26,731)	(25,626)	628,786	(13,416)	(91,186)	(4,817)	100,909	567,919

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 on a straight line basis 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, 2020

2. CASH

	2020	2019
Cash	570,065	252,276

Included in cash are restricted amounts of \$281,425 (2019 - \$258,749) received from the Municipal Sustainability Initiative and other sources and held exclusively for approved projects (Note 5).

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2020	2019
Current taxes and grants in place of taxes	17,018	37,679
Arrears taxes	11,115	3,822
	28,133	41,501

4. INVESTMENTS

	2020	2019
Equity investments in UFA and South Country Co-op	2,670	2,638

5. DEFERRED REVENUE

	2020	2019
Municipal Sustainability Initiative - Capital	112,147	180,342
Municipal Sustainability Initiative - Operating	2,988	-
Federal Gas Tax Fund	87,906	37,906
Other deferred revenue	78,384	40,501
	281,425	258,749

Alberta Municipal Sustainability Initiative

Funding is received annually from the Municipal Sustainability Initiative Program. The use of these funds is restricted to eligible operating and capital projects, as approved under the funding agreement. \$68,195 of these funds were allocated to capital projects in 2020.

Federal Gas Tax Fund

Funding was received from 2014 to 2020 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, 2020

6. 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 1.67%.

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.

	2020	2019
Estimated total liability	121,251	119,260
Estimated capacity remaining	72.81 %	72.81 %
Portion of total liability remaining to be recognized	88,281	86,832
Estimated capacity used	27.19 %	27.19 %
Total accrued liability	32,970	32,428
Less: Amounts receivable from Special Areas	(7,735)	(7,735)
Accrued liability portion	25,235	24,693

7. 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:

	2020	2019
Total debt limit	838,439	700,553
Total debt	-	-
Amount of debt limit unused	838,439	700,553
Debt servicing limit	139,740	116,759
Debt servicing	-	-
Amount of debt servicing limit unused	139,740	116,759

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.

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2020

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2020	2019
Tangible capital assets (Schedule II)	6,687,169	6,107,385
Accumulated amortization (Schedule II)	(2,286,227)	(2,177,039)
	4,400,942	3,930,346

9. ACCUMULATED SURPLUS

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

	2020	2019
Unrestricted surplus	2,910	5,587
Restricted surplus	424,115	324,115
Equity in tangible capital assets (Note 8)	4,400,942	3,930,346
	4,827,967	4,260,048

10. 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).

11. 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	2020	2019
Mayor:				
S. Crooker	-	2,380	2,380	4,329
Councillors:				
R. Gill	-	3,407	3,407	9,417
C. Cooper	-	1,510	1,510	1,960
Designated officer (1 position)	9,600	-	9,600	-
C.A.O.	66,000	13,862 ³	79,862	78,431

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.

12. 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 274,000 people and 420 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 2020 were \$9,924 (2019 - \$10,543). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2020 were \$8,901 (2019 - \$9,456).

At December 31, 2019, the LAPP disclosed a surplus of \$7.913 billion.

13. 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.

14. 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.

15. 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.

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2020

16. RECONCILIATION OF OPERATING RESULTS TO BUDGET

The December 31, 2020 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	2020	2019
Excess of revenue over expenditures, per financial statements	709,472	567,919	575,449
Add back:			
Amortization expense	118,081	148,876	120,152
Proceeds on disposal of tangible capital assets	-	12,780	3,000
Net transfers (to) from reserves	-	(100,000)	10,000
Deduct:			
Tangible capital asset purchases	(691,980)	(626,101)	(705,720)
Loss (gain) on disposal of tangible capital assets	-	(6,150)	2,405
Results of operations	135,573	(2,676)	5,286

17. SUBSEQUENT EVENTS

During the 2020 year, 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 in the future as this will depend on 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.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.