

Village of Empress
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Management's Responsibility

Management of the Village of Empress (the "Village") is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within these financial statements. Management believes that the financial statements present fairly the Village's financial position as at December 31, 2022 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The Village Council carries out its responsibilities for review of the financial statements through regular meetings with management and periodic meetings with external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Council with and without the presence of management.

The financial statements have been audited by MNP LLP, Chartered Professional Accountants, independent external auditors appointed by the Village. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Village's financial statements.

October 16, 2023

A handwritten signature in blue ink, appearing to read "Carrie Lee", is written over a horizontal line.

Acting Chief Administrative Officer

Independent Auditor's Report

To the Members of Council:

Opinion

We have audited the financial statements of the Village of Empress (the "Village"), which comprise the statement of financial position as at December 31, 2022, 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2022, and the results of its operations, 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 Qualified Opinion

A physical count of gravel held for resale inventory was unable to be conducted or attended by auditors, and sufficient and appropriate audit evidence was unable to be obtained to corroborate the quantity at December 31, 2022. Accordingly, verification of the gravel held for resale inventory was limited to the amounts recorded in the records of the Village. We were unable to determine whether adjustments might be necessary to related expenses, excess (shortfall) of revenues over expenses and cash flows from operations for the year ended December 31, 2022, non-financial assets as at December 31, 2022, and accumulated surplus as at December 31, 2022.

As described in Note 6 the Village entered into a contract, which allowed third party access to their gravel pit. During the period, information was not available to determine the quantity crushed and removed from the site and therefore the provision for gravel pit disclosure, which is based on the tonnes crushed, was not able to be adjusted by management. In addition, the lack of information did not allow for the verification of the completeness of the sale of gravel commission which is a component of the contract. Therefore, we were unable to determine whether adjustments might be necessary to provision for gravel pit closure, related revenue, accretion expense, excess (shortfall) of revenue and expenses, accumulated surplus and cashflows from operations for the year ended December 31, 2022.

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 Village 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 Village's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

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

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 Village is in compliance with the Debt Limit Regulation. A detailed account of the Village'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 Village is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 11.

MNP LLP

Medicine Hat, Alberta
October 16, 2023

Chartered Professional Accountants

Village of Empress
Statement of Financial Position
As at December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash (Note 2)	906,410	706,688
Receivables		
Taxes and grants in place of taxes (Note 3)	37,348	34,233
Trade and other accounts receivable	207,339	314,676
Inventory		
Land held for resale inventory	45,736	55,331
Gravel held for resale inventory	17,675	17,675
Investments (Note 4)	2,670	2,670
	1,217,178	1,131,273
LIABILITIES		
Accounts payable and accrued liabilities	51,512	82,478
Deferred revenue (Note 5)	531,191	476,695
Provision for gravel pit closure and post-closure costs (Note 6)	28,068	25,785
	610,771	584,958
NET FINANCIAL ASSETS	606,407	546,315
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	4,249,647	4,382,225
ACCUMULATED SURPLUS (Schedule I, Note 9)	4,856,054	4,928,540

Commitments and contingencies - See Notes 13 and 14

Approved by

Mayor

The accompanying notes are an integral part of these financial statements

Village of Empress Statement of Operations

For the year ended December 31, 2022

	Budget (Note 16)	2022	2021
REVENUE			
Net municipal taxes (Schedule III)	166,554	165,387	160,644
User fees and sales of goods	109,820	103,610	139,080
Government transfers for operating (Schedule IV)	123,162	129,760	140,939
Investment income	245	17,548	1,126
Penalties and costs of taxes	6,150	10,445	6,687
Licenses and permits	-	125	25
Franchise and concession contracts	3,400	4,149	3,717
Sales of gravel	60,000	105,729	141,186
Sale of lots	75,000	77,990	27,306
Other	39,217	56,811	76,038
	583,548	671,554	696,748
EXPENSES			
Legislative	18,900	5,074	7,435
Administrative	194,518	237,615	214,174
Bylaws enforcement	31,205	36,049	28,446
Water supply and distribution	102,360	172,672	103,984
Wastewater treatment and disposal	17,191	17,469	13,284
Waste management	22,577	18,368	20,776
Family and community support	15,186	11,388	17,753
Land use planning, zoning and development	13,473	12,544	30,077
Transportation	133,946	164,591	132,982
Recreation, culture and economic development	77,982	75,586	100,332
	627,338	751,356	669,243
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(43,790)	(79,802)	27,505
OTHER			
Government transfers for capital (Schedule IV)	-	7,316	73,068
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(43,790)	(72,486)	100,573
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,928,540	4,928,540	4,827,967
ACCUMULATED SURPLUS, END OF YEAR	4,884,750	4,856,054	4,928,540

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, 2022

	Budget (Note 16)	2022	2021
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	(43,790)	(72,486)	100,573
Acquisition of tangible capital assets	-	(68,723)	(134,343)
Amortization of tangible capital assets	149,647	201,301	153,060
Acquisition of prepaid assets	-	-	66
INCREASE IN NET FINANCIAL ASSETS	105,857	60,092	119,356
NET FINANCIAL ASSETS, BEGINNING OF YEAR	546,315	546,315	426,959
NET FINANCIAL ASSETS, END OF YEAR	652,172	606,407	546,315

The accompanying notes are an integral part of these financial statements

Village of Empress
Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	(72,486)	100,573
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	201,301	153,060
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(3,115)	(6,100)
Decrease (increase) in trade and other accounts receivable	107,337	(202,560)
Decrease (increase) in land held for resale	9,595	5,189
Decrease (increase) in prepaid expenses	-	67
Decrease (increase) in gravel held for resale	-	9,228
Increase (decrease) in accounts payable and accrued liabilities	(30,966)	15,689
Increase (decrease) in deferred revenue	54,496	195,270
Increase (decrease) in provision for landfill closure/post-closure	2,283	550
Cash provided by operating transactions	268,445	270,966
CAPITAL		
Acquisition of tangible capital assets	(68,723)	(134,343)
Cash applied to capital transactions	(68,723)	(134,343)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	199,722	136,623
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	706,688	570,065
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	906,410	706,688

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, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
BALANCE, BEGINNING OF YEAR	122,200	424,115	4,382,225	4,928,540	4,827,967
Excess of revenue over expenses	(72,486)	-	-	(72,486)	100,573
Current year funds used for tangible capital assets	(68,723)	-	68,723	-	-
Annual amortization expense	201,301	-	(201,301)	-	-
Change in accumulated surplus	60,092	-	(132,578)	(72,486)	100,573
BALANCE, END OF YEAR	182,292	424,115	4,249,647	4,856,054	4,928,540

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, 2022

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2022	2021
COST:								
BALANCE, BEGINNING OF YEAR	40,907	482,178	1,130,978	4,467,656	528,070	171,723	6,821,512	6,687,169
Acquisition of tangible capital assets	-	-	-	68,723	-	-	68,723	134,343
BALANCE, END OF YEAR	40,907	482,178	1,130,978	4,536,379	528,070	171,723	6,890,235	6,821,512
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	130,866	287,980	1,561,435	316,357	142,649	2,439,287	2,286,227
Annual amortization	-	11,553	27,568	115,092	32,083	15,005	201,301	153,060
BALANCE, END OF YEAR	-	142,419	315,548	1,676,527	348,440	157,654	2,640,588	2,439,287
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	339,759	815,430	2,859,852	179,630	14,069	4,249,647	4,382,225
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	351,312	842,998	2,906,221	211,713	29,074	4,382,225	

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, 2022

	Budget	2022	2021
TAXATION			
Real property taxes	183,950	182,018	172,028
Linear property taxes	5,625	4,627	5,373
Government grants in lieu of property taxes	8,493	8,989	8,185
	198,068	195,634	185,586
REQUISITIONS			
Alberta School Foundation Fund	22,700	22,699	21,603
Seniors Foundation	3,748	3,748	3,339
Policing	5,066	3,800	-
	31,514	30,247	24,942
NET MUNICIPAL TAXES	166,554	165,387	160,644

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, 2022

	Budget	2022	2021
TRANSFERS FOR OPERATING			
Provincial Government	38,413	41,401	52,677
Federal Government	3,800	-	5,400
Other Local Governments	80,949	88,359	82,862
	123,162	129,760	140,939
TRANSFERS FOR CAPITAL			
Provincial Government	-	-	65,735
Other Local Governments	-	7,316	7,333
	-	7,316	73,068
TOTAL GOVERNMENT TRANSFERS	123,162	137,076	214,007

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, 2022

	Budget	2022	2021
EXPENSES BY OBJECT			
Salaries, wages and benefits	211,289	186,000	231,895
Contracted and general services	105,140	124,064	109,360
Materials, goods and utilities	148,162	215,530	159,925
Transfers to local boards and agencies	10,500	21,776	12,786
Bank charges and short-term interest	2,600	2,685	2,217
Amortization of tangible capital assets	149,647	201,301	153,060
	627,338	751,356	669,243

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, 2022

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	165,387	-	-	-	-	-	-	165,387
Government transfers	-	-	137,076	-	-	-	-	137,076
User fees and sales of goods	-	-	-	-	-	103,610	-	103,610
Other revenues	26,399	4,149	-	-	-	-	242,249	272,797
	191,786	4,149	137,076	-	-	103,610	242,249	678,870
EXPENSES								
Contract & general services	21,654	3,372	904	12,544	25,599	57,300	2,691	124,064
Salaries & wages	110,782	1,000	35,065	-	3,279	35,672	202	186,000
Goods & supplies	89,148	9,940	70,873	-	19,302	20,772	5,495	215,530
Transfers to local boards	8,776	-	-	-	10,000	-	3,000	21,776
Other expenses	2,685	-	-	-	-	-	-	2,685
	233,045	14,312	106,842	12,544	58,180	113,744	11,388	550,055
NET REVENUE, BEFORE AMORTIZATION	(41,259)	(10,163)	30,234	(12,544)	(58,180)	(10,134)	230,861	128,815
Amortization expense	9,643	21,737	57,749	-	17,407	94,765	-	201,301
NET REVENUE	(50,902)	(31,900)	(27,515)	(12,544)	(75,587)	(104,899)	230,861	(72,486)

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 CPA Canada. Significant aspects of the accounting policies adopted by the Village are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, 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.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

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 or goods have yet to be provided. 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 public sector accounting standards 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. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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.

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.

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

d) Valuation of Financial Assets and Liabilities

The Village's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost and amortized cost
Receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost

e) Cash and Investments

Cash is comprised of balances held with banks and short-term investments with maturities of three months or less.

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.

f) 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.

g) Requisition Over-levy and Under-levy

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. 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.

h) 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.

i) 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.

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

j) Gravel Pit Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Village 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.

For years beginning after April 1, 2022 the Village is required, under PSAS, to update its policy for asset retirement obligations. No significant changes are anticipated from this change in policy.

k) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Village has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

l) 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.

m) 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 (shortfall) of revenue over expenses, provides the Change in Net Financial Assets for the year.

i. 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.

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

m) Non-financial Assets *(continued from previous page)*

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.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

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.

2. CASH

	2022	2021
Cash	906,410	706,688

Included in cash are restricted amounts of \$531,191 (2021 - \$476,695) 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

	2022	2021
Current taxes and grants in place of taxes	20,594	20,729
Arrears taxes	16,754	13,504
	37,348	34,233

4. INVESTMENTS

	2022	2021
Equity investments in UFA and South Country Co-op	2,670	2,670

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2022

5. DEFERRED REVENUE

	2022	2021
Municipal Sustainability Initiative - Capital	302,629	242,996
Municipal Sustainability Initiative - Operating	-	2,988
Federal Gas Tax Fund	166,656	166,656
Empress and District Fine Arts, Cultural, and Leisure Society	52,691	53,223
Other deferred revenue	9,215	10,832
	531,191	476,695

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. No funds were allocated to capital projects in 2022 (2021 - \$16,204).

Federal Gas Tax Fund

Funding was received from 2014 to 2022 from the Federal Gas Tax Fund. The use of these funds is restricted to eligible capital projects as approved under the funding agreement.

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 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 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 opened site is estimated at 100,000 tonnes with the estimated remaining development capacity of 47,632 tonnes as at December 31, 2021. During 2022, a contract with a third party was entered into which allowed for the crushing and removal of gravel from the Village's gravel pit. Information regarding the amounts of crushed and removed gravel were not available when the financial statements were being prepared and therefore the remaining development capacity was not known as of December 31, 2022. As such the liability has not been adjusted for any development during 2022.

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

	2022	2021
Estimated capacity used	52.37 %	52.37 %
Total accrued liability	35,803	33,520
Less: Amounts receivable from Special Areas	(7,735)	(7,735)
Accrued liability portion	28,068	25,785

Village of Empress
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For the year ended December 31, 2022

7. DEBT LIMITS

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

	2022	2021
Total debt limit	1,007,331	1,045,122
Total debt	-	-
Amount of debt limit unused	1,007,331	1,045,122
Debt servicing limit	167,889	174,187
Debt servicing	-	-
Amount of debt servicing limit unused	167,889	174,187

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.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2022	2021
Tangible capital assets (Schedule II)	6,890,235	6,821,512
Accumulated amortization (Schedule II)	(2,640,588)	(2,439,287)
	4,249,647	4,382,225

9. ACCUMULATED SURPLUS

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

	2022	2021
Unrestricted surplus	182,292	122,200
Restricted surplus	424,115	424,115
Equity in tangible capital assets (Note 8)	4,249,647	4,382,225
	4,856,054	4,928,540

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).

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2022

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	2022	2021
Mayor:				
A. Johnston (5 months)	-	1,956	1,956	-
M. Jarvis (7 months)	-	513	513	695
S. Crooker				1,096
Councillors:				
R. Gill	-	-	-	1,484
C. Cooper	-	-	-	835
D. Moslamani	-	300	300	470
C. Steinley	-	827	827	1,770
Designated officer (1 position)	9,600	-	9,600	9,600
C.A.O.	65,000	13,003 ³	78,003	80,068

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 275,000 people and 437 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.80% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.80% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2022 were \$2,002 (2021 - \$6,393). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2022 were \$1,802 (2021 - \$5,733).

At December 31, 2022, the LAPP disclosed a surplus of \$58.7 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, receivables, investments, accounts payable and accrued liabilities. It is management's opinion that the Village is not exposed to significant interest rate 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. 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.

16. RECONCILIATION OF OPERATING RESULTS TO BUDGET

The December 31, 2022 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	2022	2021
Excess (shortfall) of revenue over expenditures, per financial statements	(43,790)	(72,486)	100,573
Add back:			
Amortization of tangible capital assets	149,647	201,301	153,060
Net transfers (to) from reserves	-	-	-
Deduct:			
Tangible capital asset purchases	-	(68,723)	(134,343)
Results of operations	105,857	60,092	119,290

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.