

**VILLAGE OF EMPRESS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023 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.

April 17, 2024

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, 2023, and the statements of operations, remeasurement gains and losses, 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, 2023, 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, 2023. 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, 2023, non-financial assets as at December 31, 2023, and accumulated surplus as at December 31, 2023.

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 closure, 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, 2023.

As described in notes of the financial statements, information was not available to determine the costs associated with any additional potential asset retirement obligations. It is currently not known what adjustments, if any, might be necessary to tangible capital assets, asset retirement obligations, accretion expense, excess (shortfall) of revenue and expenses, accumulated surplus and cashflows from operations as at December 31, 2023.

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:

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- 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 8.
- *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 12.

Medicine Hat,
Alberta

MNP LLP

April 17, 2024
Chartered Professional Accountants

Village of Empress
Statement of Financial Position
As at December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash (Note 2)	1,390,267	906,410
Receivables		
Taxes and grants in place of taxes (Note 3)	33,193	37,348
Trade and other accounts receivable	190,756	207,339
Inventory		
Land held for resale inventory	45,736	45,736
Gravel held for resale inventory	16,893	17,675
Investments (Note 4)	2,670	2,670
	1,679,515	1,217,178
LIABILITIES		
Accounts payable and accrued liabilities	84,555	51,512
Deferred revenue (Note 5)	806,609	531,191
Asset retirement obligations (Note 6)	30,414	28,068
	921,578	610,771
NET FINANCIAL ASSETS	757,937	606,407
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule II)	4,261,192	4,249,647
ACCUMULATED SURPLUS	5,019,129	4,856,054
ACCUMULATED OPERATING SURPLUS (Schedule I, Note 10)	5,019,129	4,856,054
ACCUMULATED REMEASUREMENT GAINS (LOSSES)	-	-

Commitments and contingencies - See Notes 14 and 15

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, 2023

	Budget (Note 17)	2023	2022
REVENUE			
Net municipal taxes (Schedule III)	215,571	187,015	165,387
User fees and sales of goods	104,250	107,162	103,610
Government transfers for operating (Schedule IV)	94,413	208,773	129,760
Investment income	14,672	34,635	17,548
Penalties and costs of taxes	10,450	8,917	10,445
Licenses and permits	100	240	125
Franchise and concession contracts	4,200	4,530	4,149
Sales of gravel	85,000	152,204	105,729
Sale of lots	5,000	71,400	77,990
Other	57,518	35,522	56,811
	591,174	810,398	671,554
EXPENSES			
Legislative	15,250	15,422	5,074
Administrative	224,445	284,410	237,615
Bylaws enforcement	32,633	32,645	36,049
Water supply and distribution	131,369	199,844	172,672
Wastewater treatment and disposal	10,055	48,592	17,469
Waste management	20,725	16,202	18,368
Family and community support	18,250	7,571	11,388
Land use planning, zoning and development	2,250	14,110	12,544
Transportation	173,662	177,003	164,591
Recreation, culture and economic development	93,779	59,626	75,586
	722,418	855,425	751,356
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(131,244)	(45,027)	(79,802)
OTHER			
Gain (loss) on disposal of tangible capital assets	-	(3,720)	-
Government transfers for capital (Schedule IV)	456,581	211,822	7,316
		208,102	7,316
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	325,337	163,075	(72,486)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	4,856,054	4,856,054	4,928,540
ACCUMULATED SURPLUS, END OF YEAR	5,181,391	5,019,129	4,856,054

The accompanying notes are an integral part of these financial statements

Village of Empress
Statement of Remeasurement Gains and Losses
For the year ended December 31, 2023

	2023	2022
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	-	-
No change during the year	-	-
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	-	-

Statement of Changes in Net Financial Assets
For the year ended December 31, 2023

	Budget (Note 17)	2023	2022
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	325,337	163,075	(72,486)
Acquisition of tangible capital assets	(512,851)	(221,921)	(68,723)
Amortization of tangible capital assets	149,647	206,656	201,301
Loss on sale of tangible capital assets	-	3,720	-
INCREASE IN NET FINANCIAL ASSETS	(37,867)	151,530	60,092
NET FINANCIAL ASSETS, BEGINNING OF YEAR	606,407	606,407	546,315
NET FINANCIAL ASSETS, END OF YEAR	568,540	757,937	606,407

The accompanying notes are an integral part of these financial statements

Village of Empress
Statement of Cash Flows
For the year ended December 31, 2023

	2023	2022
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	163,075	(72,486)
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	206,656	201,301
Loss on disposal of tangible capital assets	3,720	-
Accretion expense	2,346	2,283
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	4,155	(3,115)
Decrease (increase) in trade and other accounts receivable	16,583	107,337
Decrease (increase) in land held for resale	-	9,595
Decrease (increase) in gravel held for resale	782	-
Increase (decrease) in accounts payable and accrued liabilities	33,043	(30,966)
Cash provided by operating transactions	430,360	213,949
CAPITAL		
Acquisition of tangible capital assets	(221,921)	(68,723)
Cash applied to capital transactions	(221,921)	(68,723)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	208,439	145,226
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	375,219	229,993
CASH AND CASH EQUIVALENTS, END OF YEAR	583,658	375,219
Cash and cash equivalents is made up of:		
Cash	1,390,267	906,410
Less: restricted portion of cash <i>(Note 2)</i>	(806,609)	(531,191)
	583,658	375,219

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, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
BALANCE, BEGINNING OF YEAR	182,292	424,115	4,249,647	4,856,054	4,928,540
Excess of revenue over expenses	163,075	-	-	163,075	(72,486)
Current year funds used for tangible capital assets	(221,921)	-	221,921	-	-
Annual amortization expense	206,656	-	(206,656)	-	-
Loss on disposal of tangible capital assets	3,720	-	(3,720)	-	-
Change in accumulated surplus	151,530	-	11,545	163,075	(72,486)
BALANCE, END OF YEAR	333,822	424,115	4,261,192	5,019,129	4,856,054

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, 2023

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2023	2022
COST:								
BALANCE, BEGINNING OF YEAR	40,907	482,178	1,130,978	4,536,379	528,070	171,723	6,890,235	6,821,512
Acquisition of tangible capital assets	-	-	-	211,822	10,099	-	221,921	68,723
Write down of tangible capital assets	-	-	-	-	-	(12,000)	(12,000)	-
BALANCE, END OF YEAR	40,907	482,178	1,130,978	4,748,201	538,169	159,723	7,100,156	6,890,235
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	142,419	315,548	1,676,527	348,440	157,654	2,640,588	2,439,287
Annual amortization	-	11,553	27,568	120,492	36,694	10,349	206,656	201,301
Accumulated amortization on write down	-	-	-	-	-	(8,280)	(8,280)	-
BALANCE, END OF YEAR	-	153,972	343,116	1,797,019	385,134	159,723	2,838,964	2,640,588
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	328,206	787,862	2,951,182	153,035	-	4,261,192	4,249,647
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	339,759	815,430	2,859,852	179,630	14,069	4,249,647	

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, 2023

	Budget	2023	2022
	(Note 17)		
TAXATION			
Real property taxes	247,140	201,192	182,018
Linear property taxes	-	7,159	4,627
Government grants in lieu of property taxes	-	10,233	8,989
	247,140	218,584	195,634
REQUISITIONS			
Alberta School Foundation Fund	23,121	23,121	22,699
Seniors Foundation	4,019	4,019	3,748
Policing	4,429	4,429	3,800
	31,569	31,569	30,247
NET MUNICIPAL TAXES	215,571	187,015	165,387

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, 2023

	Budget	2023	2022
	(Note 17)		
TRANSFERS FOR OPERATING			
Provincial Government	44,994	74,961	41,401
Other Local Governments	49,419	133,812	88,359
	94,413	208,773	129,760
TRANSFERS FOR CAPITAL			
Provincial Government	456,581	211,822	-
Other Local Governments	-	-	7,316
	456,581	211,822	7,316
TOTAL GOVERNMENT TRANSFERS	550,994	420,595	137,076

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, 2023

	Budget	2023	2022
	(Note 17)		
EXPENSES BY OBJECT			
Salaries, wages and benefits	247,070	240,106	186,000
Contracted and general services	109,543	163,646	124,064
Materials, goods and utilities	200,558	211,146	215,530
Transfers to local boards and agencies	13,000	25,294	21,776
Bank charges and short-term interest	2,600	8,577	2,685
Amortization of tangible capital assets	149,647	206,656	201,301
	722,418	855,425	751,356

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, 2023

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	187,015	-	-	-	-	-	-	187,015
Government transfers	-	-	420,595	-	-	-	-	420,595
User fees and sales of goods	-	-	-	-	-	107,162	-	107,162
Other revenues	41,685	4,530	-	-	-	-	257,514	303,729
	228,700	4,530	420,595	-	-	107,162	257,514	1,018,501
EXPENSES								
Contract & general services	34,111	4,289	989	14,110	17,601	91,886	660	163,646
Salaries & wages	135,025	2,500	62,710	-	-	39,871	-	240,106
Goods & supplies	103,780	4,749	55,283	-	14,592	32,742	-	211,146
Transfers to local boards	8,383	-	-	-	10,000	-	6,911	25,294
Other expenses	8,577	-	-	-	-	-	-	8,577
	289,876	11,538	118,982	14,110	42,193	164,499	7,571	648,769
NET REVENUE, BEFORE AMORTIZATION	(61,176)	(7,008)	301,613	(14,110)	(42,193)	(57,337)	249,943	369,732
Amortization expense	9,956	21,107	58,021	-	17,433	100,139	-	206,656
NET REVENUE	(71,132)	(28,115)	243,592	(14,110)	(59,626)	(157,476)	249,943	163,076

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 and cash equivalents	Cost and amortized cost
Trade and other accounts receivables	Lower of cost or net recoverable value
Investments	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) Asset Retirement for 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.

k) Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Village to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

At each financial reporting date, the Village reviews the carrying amount of the liability. The Village recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Village continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Currently no asset retirement obligations have been recognized, other than the gravel pit closure as described above, as information to determine the obligations, was not available at the time of issuance of these statements.

l) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the Village is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

m) 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.

n) 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.

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

o) 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.

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.

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

p) 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.

q) Future Accounting Changes

i. Revenue

The Canadian Public Sector Accounting Board approved PS 3400, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3400 provides guidance on when to recognize revenue arising from exchange transactions and from unilateral transactions. This section is to be adopted retroactively or prospectively. The Town has not yet adopted this section or determined the effect on the financial statements.

ii. Public Private Partnerships

The Canadian Public Sector Accounting Board approved PS 3160, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3160 provides standards for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements. This section is to be adopted retroactively with or without prior period restatement. The Town has not yet adopted this section or determined the effect on the financial statements.

r) Adoption of new accounting standards

i. PSAS 3450 – Financial Instruments

On January 1, 2023, the Town adopted Public Accounting Standards PS 3450 – Financial Instruments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Town's accounting policy choices. There were no instruments impacted by the change in policy and measurement of financial instrument remains consistent.

ii. PSAS 3280 - Asset Retirement Obligation

On January 1, 2023, the Town adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations however is yet to determine the full impact of this policy change. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability.

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2023

2. CASH AND CASH EQUIVALENTS

	2023	2022
Cash	1,390,267	906,410

Included in cash are restricted amounts of \$806,609 (2022 - \$531,191) 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

	2023	2022
Current taxes and grants in place of taxes	24,150	20,594
Arrears taxes	9,043	16,754
	33,193	37,348

4. INVESTMENTS

	2023	2022
Equity investments in UFA and South Country Co-op	2,670	2,670

5. DEFERRED REVENUE

	2023	2022
Municipal Sustainability Initiative - Capital	351,804	302,629
Canada Community-Building Fund (formerly Federal Gas Tax Fund)	273,520	166,656
Alberta Municipal Water/Wastewater Partnership	156,600	-
Empress and District Fine Arts, Cultural, and Leisure Society	14,359	52,691
CARES Funding	10,326	9,215
	806,609	531,191

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. \$20,205 of funds were allocated to capital projects in 2023 (2022 - \$nil).

Canada Community-Building Fund

Funding was received from 2014 to 2023 from the Canada Community-Building Fund. The use of these funds is restricted to eligible capital projects as approved under the funding agreement. \$Nil of funds were allocated to projects in 2023 (2022 - \$nil).

6. ASSET RETIREMENT OBLIGATION FOR GRAVEL PIT CLOSURE AND POST-CLOSURE

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, 2023. As such the liability has not been adjusted for any development during 2023.

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

	2023	2022
<u>Estimated capacity used as at December 31, 2021</u>	52.37 %	52.37 %
Total accrued liability	38,149	35,803
Less: Amounts receivable from Special Areas	(7,735)	(7,735)
<u>Accrued liability portion</u>	30,414	28,068

7. ASSET RETIREMENT OBLIGATION

Water lagoon and other

The Village may have obligations relating to retirement of a water lagoon and other structures. The Village currently does not have information to know if, or to what extent, a liability exists. It is not known what impact this would have to the statements at this time.

Asbestos

The Village may have title to a building with asbestos and currently does not have information to know if, or to what extent, a liability exists. It is not known what impact this would have to the statements at this time.

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2023

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:

	2023	2022
Total debt limit	1,215,597	1,007,331
Total debt	-	-
Amount of debt limit unused	1,215,597	1,007,331
Debt servicing limit	202,600	167,889
Debt servicing	-	-
Amount of debt servicing limit unused	202,600	167,889

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

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible capital assets (Schedule II)	7,100,156	6,890,235
Accumulated amortization (Schedule II)	(2,838,964)	(2,640,588)
	4,261,192	4,249,647

10. ACCUMULATED SURPLUS

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

	2023	2022
Unrestricted surplus	333,822	182,292
Restricted surplus	424,115	424,115
Equity in tangible capital assets (Note 9)	4,261,192	4,249,647
	5,019,129	4,856,054

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
Notes to the Financial Statements
For the year ended December 31, 2023

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	2023	2022
Mayor:				
A. Johnston	-	2,842	2,842	1,956
M. Jarvis	-	-	-	513
Councillors:				
D. Moslamani	-	-	-	300
C. Steinley	-	-	-	827
K. Burgess	-	3,665	3,665	-
D. Martin	-	4,722	4,722	-
Designated officer (2 positions)	-	20,920	20,920	9,600
C.A.O.	54,906	7,088 ³	61,994	78,003

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 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 12.23% 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 11.23% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2023 were \$4,952 (2022 - \$2,002). Total current service contributions by the employees of the Village to the Local Authorities Pension Plan in 2023 were \$4,457 (2022 - \$1,802).

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2023

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, 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.

17. RECONCILIATION OF OPERATING RESULTS TO BUDGET

The December 31, 2023 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	2023	2022
Excess (shortfall) of revenue over expenditures, per financial statements	325,337	163,075	(72,486)
Add back:			
Amortization of tangible capital assets	149,647	206,656	201,301
Net transfers (to) from reserves for capital projects	56,270	-	-
Deduct:			
Tangible capital asset purchases	(512,851)	(221,921)	(68,723)
Loss (gain) on disposal of tangible capital assets	-	3,720	-
Results of operations	18,403	151,530	60,092

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.