

Independent Auditors' Report

TO THE MAYOR AND COUNCIL OF THE VILLAGE OF DUCHESS

Opinion

We have audited the accompanying financial statements of the **Village of Duchess**, which comprise the statement of financial position as at December 31, 2022, and the statements of operations, change in net financial assets and cash flows the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Village of Duchess** as at December 31, 2022, the results of its operations, change 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 **Village of Duchess** 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 accounting standards for private enterprises, 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 of Duchess'** 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 **Village of Duchess** or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the **Village of Duchess'** financial reporting process.

Auditors' Responsibility 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:

Independent Auditors' Report (Continued)

- 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 Company'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 Company'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 **Village of Duchess** 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 provided 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 **Village of Duchess'** 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 not the information required can be found in note 12.

Johnston Morrison Hunter & Co. Professional Corporation

Chartered Professional Accountants

Brooks, Alberta
March 22, 2023

VILLAGE OF DUCHESS

Statement of Financial Position
December 31, 2022

	2022	2021
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	2,107,090	1,847,974
Taxes receivable (Note 3)	69,437	58,263
Trade and other receivables	217,066	281,966
Land held for resale	242,430	242,430
Investments (Note 4)	3,616	3,102
TOTAL FINANCIAL ASSETS	<u>2,639,639</u>	<u>2,433,735</u>
LIABILITIES		
Accounts payable and accrued liabilities	110,666	109,387
Deferred revenue (Note 6)	97,347	93,274
TOTAL LIABILITIES	<u>208,013</u>	<u>202,661</u>
NET FINANCIAL ASSETS (DEBT)	<u>2,431,626</u>	<u>2,231,074</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	15,678,641	15,776,160
Prepaid expenses	52,866	42,219
ACCUMULATED SURPLUS (NOTE 10)	<u>15,731,507</u>	<u>15,818,379</u>
	<u>18,163,133</u>	<u>18,049,453</u>

VILLAGE OF DUCHESS

**Statement of Operations
For The Year Ended December 31, 2022**

	Budget	2022	2021
	\$	\$	\$
REVENUE			
Net taxes, Schedule 3	808,585	807,653	759,013
Government transfers, Schedule 4	327,194	280,284	417,245
Investment income	13,000	50,856	12,094
User fees and sale of goods	761,459	791,502	721,446
Penalties and costs on taxes	16,000	20,342	23,640
Franchise and concession contracts	132,000	135,308	121,202
Other	500	-	6,477
Total Revenue	2,058,738	2,085,945	2,061,117
EXPENSES			
Operating			
Legislative	57,950	56,886	49,793
Administration	410,436	356,218	352,792
Fire, ambulance and bylaws enforcement	249,824	247,529	241,775
Roads, streets, walks and lighting, and storm	579,569	553,521	554,970
Water and wastewater	524,268	474,808	639,323
Waste management	135,729	137,087	132,983
Parks and recreation	571,570	545,525	497,910
Planning and development	45,000	24,058	27,487
Total Expenses	2,574,346	2,395,632	2,497,033
EXCESS OF EXPENSES OVER REVENUE BEFORE OTHER	(515,608)	(309,687)	(435,916)
OTHER			
Government transfers for capital, Schedule 4	421,347	423,367	403,789
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES, Schedule 6	(94,261)	113,680	(32,127)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	18,049,453	18,049,453	18,081,580
ACCUMULATED SURPLUS, END OF YEAR, Schedule 1	17,955,192	18,163,133	18,049,453

VILLAGE OF DUCHESS

**Statement of Changes in Net Financial Assets
For The Year Ended December 31, 2022**

	Budget	2022	2021
	\$	\$	\$
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(94,261)	113,680	(32,127)
Acquisition of tangible capital assets	(648,237)	(512,416)	(528,004)
Loss on write down of tangible capital assets	-	5,375	-
Amortization of tangible capital assets	605,000	604,560	672,181
	(43,237)	97,519	144,177
Acquisition of prepaid expenses	-	(52,866)	(42,219)
Use of prepaid assets	-	42,219	40,516
	-	(10,647)	(1,703)
INCREASE IN NET ASSETS	(137,498)	200,552	110,347
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,231,074	2,231,074	2,120,727
NET FINANCIAL ASSETS, END OF YEAR	2,093,576	2,431,626	2,231,074

VILLAGE OF DUCHESS

**Statement of Cash Flows
For The Year Ended December 31, 2022**

	2022	2021
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	113,680	(32,127)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	604,560	672,181
Loss on disposal of tangible capital assets	-	-
Loss on write down of tangible capital assets	5,375	-
Non-cash charges to operations (net change):		
(Increase) (decrease) in taxes receivable	(11,174)	34,289
Decrease (increase) in trade and other receivables	64,900	(95,153)
(Increase) in land held for resale	-	(48,380)
(Increase) in investments	(514)	(352)
Increase (decrease) in accounts payable and accrued liabilities	1,279	(48,708)
Increase (decrease) in deferred revenue	4,073	(100,017)
(Increase) in prepaid expenses	(10,647)	(1,703)
CASH PROVIDED BY OPERATING TRANSACTIONS	<u>771,532</u>	<u>380,030</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(512,416)	(528,004)
CASH APPLIED TO CAPITAL TRANSACTIONS	<u>(512,416)</u>	<u>(528,004)</u>
INVESTING ACTIVITIES		
Decrease in restricted cash or cash equivalents	1,287	105,759
CASH APPLIED TO INVESTING TRANSACTIONS	<u>1,287</u>	<u>105,759</u>
CHANGE IN CASH AND CASH EQUIVALENTS	260,403	(42,215)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,805,884</u>	<u>1,848,099</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>2,066,287</u>	<u>1,805,884</u>
CASH AND CASH EQUIVALENTS ARE MADE UP OF:		
Cash and temporary investments (Note 2)	2,107,090	1,847,974
Less: restricted portion of cash and temporary investments	(40,803)	(42,090)
	<u>2,066,287</u>	<u>1,805,884</u>

VILLAGE OF DUCHESS

Schedule of Changes in Accumulated Surplus
For The Year Ended December 31, 2022
Schedule 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
	\$	\$	\$	\$	\$
Revenue:					
Balance, beginning of year	1,150,934	1,122,359	15,776,160	18,049,453	18,081,580
Excess (deficiency) of revenues over expenses	113,680	-	-	113,680	(32,127)
Unrestricted funds designated for future use	(54,080)	54,080	-	-	-
Current year funds used for tangible capital assets	(512,416)	-	512,416	-	-
Write down of tangible capital assets	5,375	-	(5,375)	-	-
Annual amortization expense	<u>604,560</u>	<u>-</u>	<u>(604,560)</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>157,119</u>	<u>54,080</u>	<u>(97,519)</u>	<u>113,680</u>	<u>(32,127)</u>
Balance, end of year	<u>1,308,053</u>	<u>1,176,439</u>	<u>15,678,641</u>	<u>18,163,133</u>	<u>18,049,453</u>

VILLAGE OF DUCHESS
Schedule of Tangible Capital Assets
For The Year Ended December 31, 2022
Schedule 2

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Cost:								
Balance, beginning of year	1,086,014	1,658,687	5,164,177	16,013,968	930,767	1,141,900	25,995,513	25,467,509
Acquisition of tangible capital assets	-	-	-	456,968	55,448	-	512,416	528,004
Disposal of tangible capital assets	-	-	-	-	-	(98,411)	(98,411)	-
Write down of tangible capital assets	-	-	-	(308,034)	-	-	(308,034)	-
Balance, end of year	<u>1,086,014</u>	<u>1,658,687</u>	<u>5,164,177</u>	<u>16,162,902</u>	<u>986,215</u>	<u>1,043,489</u>	<u>26,101,484</u>	<u>25,995,513</u>
Accumulated Amortization:								
Balance, beginning of year	-	568,638	767,441	7,818,427	548,735	516,112	10,219,353	9,547,172
Annual amortization	-	68,881	103,283	313,240	63,980	55,176	604,560	672,181
Accumulated amortization on disposals	-	-	-	-	-	(98,411)	(98,411)	-
Accumulated amortization on write downs	-	-	-	(302,659)	-	-	(302,659)	-
Balance, end of year	<u>-</u>	<u>637,519</u>	<u>870,724</u>	<u>7,829,008</u>	<u>612,715</u>	<u>472,877</u>	<u>10,422,843</u>	<u>10,219,353</u>
Net Book Value of								
Tangible Capital Assets	<u>1,086,014</u>	<u>1,021,168</u>	<u>4,293,453</u>	<u>8,333,894</u>	<u>373,500</u>	<u>570,612</u>	<u>15,678,641</u>	<u>15,776,160</u>

VILLAGE OF DUCHESS

**Schedule of Property And Other Taxes
For The Year Ended December 31, 2022
Schedule 3**

	Budget	2022	2021
	\$	\$	\$
TAXATION			
Real property taxes	1,059,250	1,058,318	1,014,182
Power, pipe, cable T.V. and other taxes	20,128	20,128	19,664
	<u>1,079,378</u>	<u>1,078,446</u>	<u>1,033,846</u>
REQUISITIONS			
Alberta school foundation fund	260,854	260,854	265,936
Newell seniors foundation	9,939	9,939	8,897
	<u>270,793</u>	<u>270,793</u>	<u>274,833</u>
NET TAXES	<u>808,585</u>	<u>807,653</u>	<u>759,013</u>

VILLAGE OF DUCHESS

Schedule of Government Transfers
For The Year Ended December 31, 2022
Schedule 4

	Budget	2022	2021
	\$	\$	\$
TRANSFERS FOR OPERATING			
Federal government	129,640	4,195	224,547
Provincial government	6,300	75,098	6,300
Other local governments	191,254	200,991	186,398
	<u>327,194</u>	<u>280,284</u>	<u>417,245</u>
TRANSFERS FOR CAPITAL			
Provincial government	421,347	423,367	403,789
	<u>421,347</u>	<u>423,367</u>	<u>403,789</u>
TOTAL GOVERNMENT TRANSFERS	<u>748,541</u>	<u>703,651</u>	<u>821,034</u>

VILLAGE OF DUCHESS

Schedule of Expenses by Object
For The Year Ended December 31, 2022
Schedule 5

	Budget	2022	2021
	\$	\$	\$
EXPENDITURES			
Salaries, wages and benefits	727,733	719,985	644,678
Contracted and general services	304,200	216,349	298,099
Materials, goods and utilities	664,125	612,915	666,373
Transfers to local boards and agencies	270,488	232,911	213,217
Bank charges and short-term interest	2,800	3,537	2,485
Loss on write down of tangible capital assets	-	5,375	-
Amortization of tangible capital assets	605,000	604,560	672,181
TOTAL EXPENDITURES	<u>2,574,346</u>	<u>2,395,632</u>	<u>2,497,033</u>

VILLAGE OF DUCHESS
Schedule of Segmented Disclosure
For The Year Ended December 31, 2022
Schedule 6

	General Government	Protective Services	Transportation Services	Water & Waste Management	Recreation & Culture	Total
	\$	\$	\$	\$	\$	\$
Revenue:						
Net municipal taxes	807,653	-	-	-	-	807,653
Government transfers	20,400	149,677	423,367	7,020	103,187	703,651
Investment income	50,643	-	-	-	213	50,856
User fees and sale of goods	9,871	8,132	34,109	645,167	94,223	791,502
Penalties and cost of taxes	20,342	-	-	-	-	20,342
Franchise and concession contracts	<u>135,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,308</u>
	<u>1,044,217</u>	<u>157,809</u>	<u>457,476</u>	<u>652,187</u>	<u>197,623</u>	<u>2,509,312</u>
Expenses:						
Salaries & wages	210,911	42,900	139,850	137,345	188,979	719,985
Contract & general services	83,285	40,762	19,403	32,200	40,699	216,349
Materials, goods and utilities	82,462	57,097	142,092	267,151	64,113	612,915
Transfers to local boards and agencies	8,102	51,907	1,523	45,679	125,700	232,911
Bank charges and short-term interest	<u>3,537</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,537</u>
	<u>388,297</u>	<u>192,666</u>	<u>302,868</u>	<u>482,375</u>	<u>419,491</u>	<u>1,785,697</u>
Net revenue, before amortization	<u>655,920</u>	<u>(34,857)</u>	<u>154,608</u>	<u>169,812</u>	<u>(221,868)</u>	<u>723,615</u>
Write down of tangible capital assets	-	-	(5,375)	-	-	(5,375)
Amortization expense	<u>(24,808)</u>	<u>(54,862)</u>	<u>(245,278)</u>	<u>(129,520)</u>	<u>(150,092)</u>	<u>(604,560)</u>
Net Revenue	<u>631,112</u>	<u>(89,719)</u>	<u>(96,045)</u>	<u>(113,410)</u>	<u>(371,960)</u>	<u>113,680</u>

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2022

1. Significant Accounting Policies

The financial statements of the Village of Duchess are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Village of Duchess are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances, and change in financial position of the Village of Duchess.

The schedule of taxes levied also includes requisitions for education, social and other external organizations that are not part of the municipal reporting entity.

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

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. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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 revenues and expenditures 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.

Cash and Cash Equivalents

The Village's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

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.

VILLAGE OF DUCHESS
Notes to the Financial Statements
For The Year Ended December 31, 2022

1. **Significant Accounting Policies (Continued)**

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.

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, road, sidewalks and street lighting are recorded as capital assets under their respective function.

Prepaid Local Improvement Changes

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 municipality.

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 to revenue by an amount equal to the debt repayment.

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.

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.

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2022

1. Significant Accounting Policies (Continued)

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 revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

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:

	Years
Land improvements	15-20
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Roadway systems	10-30
Storm systems	45-75
Machinery and equipment	5-25
Vehicles	10-25

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.

Contaminated Site 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 a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2022

1. Significant Accounting Policies (Continued)

Measurement of Financial Instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and temporary investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

2. Cash and Temporary Investments

	2022	2021
	\$	\$
Cash	707,090	1,847,974
Temporary investments	<u>1,400,000</u>	<u>-</u>
	<u>2,107,090</u>	<u>1,847,974</u>

Temporary investments are guaranteed investments certificates having effective interest rates of 5.32% maturing November 24, 2023.

Included in cash is a restricted amount of \$40,803 (2021 - \$42,090) received from external sources and held exclusively for capital and operating projects .

VILLAGE OF DUCHESS
Notes to the Financial Statements
For The Year Ended December 31, 2022

3. Taxes Receivable

	2022	2021
	\$	\$
Current taxes	60,855	47,876
Non-current taxes	<u>8,582</u>	<u>10,387</u>
	<u><u>69,437</u></u>	<u><u>58,263</u></u>

4. Investments

	2022	2021
	\$	\$
South Country Co-op Ltd. equity account	3,606	3,092
Newell Regional Services Corporation, common shares	<u>10</u>	<u>10</u>
	<u><u>3,616</u></u>	<u><u>3,102</u></u>

5. Bank Advances

A line of credit facility of up to \$500,000. Secured by Municipal Borrowing By-Law 487/20 (Chief Elected Officer and Chief Administrative Officer are authorized on behalf of the Village to execute promissory notes or other negotiable instruments and transfer any present and future property, real or personal, movable or immovable, to furnish security for the debt). Due on demand with interest calculated at prime plus 1%. No balance was outstanding at year-end.

6. Deferred Revenue

	2022	2021
	\$	\$
Municipal Sustainability Initiative - Operating	40,803	42,090
Deferred property taxes and utility fees	<u>56,544</u>	<u>51,184</u>
	<u><u>97,347</u></u>	<u><u>93,274</u></u>

Conditional grants in the amount of \$40,803 (2021 - \$42,090) were received from external sources and have not been expended in the current year.

The use of the conditional grants are restricted to eligible capital and operating projects, as approved under the funding agreements, scheduled for completion in 2023. Unexpended funds related to the conditional grants are supported by cash and temporary investments of \$40,803.

VILLAGE OF DUCHESS

Notes to the Financial Statements 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 Duchess be disclosed as follows:

	2022	2021
	\$	\$
Total debt limit	<u>3,218,918</u>	<u>3,091,676</u>
Amount of debt limit unused	<u>3,218,918</u>	<u>3,091,676</u>
Debt servicing limit	<u>521,486</u>	<u>515,279</u>
Amount of debt servicing limit unused	<u>521,486</u>	<u>515,279</u>

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada (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 that could be at 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. Tangible Capital Assets

	2022	2021
Net Book Value	\$	\$
Land	1,086,014	1,086,014
Land Improvements	1,021,168	1,090,049
Buildings	4,293,453	4,396,736
Engineered Structures		
Water system	1,510,865	1,534,003
Wastewater system	3,130,355	3,182,245
Roadway system	3,260,681	3,039,342
Storm system	431,993	439,950
Machinery and equipment	373,500	382,032
Vehicles	<u>610,612</u>	<u>625,789</u>
	<u>15,718,641</u>	<u>15,776,160</u>

9. Equity in Capital Assets

	2022	2021
	\$	\$
Tangible capital assets, Schedule 2	26,101,484	25,995,513
Accumulated amortization, Schedule 2	<u>(10,422,843)</u>	<u>(10,219,353)</u>
	<u>15,678,641</u>	<u>15,776,160</u>

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2022

10. Accumulated Surplus

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

	2022	2021
	\$	\$
Unrestricted surplus	1,308,053	1,150,934
Restricted surplus		
Capital	1,151,439	1,097,359
General operations	25,000	25,000
Equity in tangible capital assets	<u>15,678,641</u>	<u>15,776,160</u>
	<u>18,163,133</u>	<u>18,049,453</u>

11. Segmented Disclosure

The Village of Duchess 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 6).

12. Salary and Benefits Disclosure

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

	2022			2021
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
Mayor	9,950	718	10,668	9,888
Deputy Mayor	12,850	875	13,725	9,578
Councillor 1	6,750	536	7,286	7,769
Councillor 2	6,100	507	6,607	7,281
Councillor 3	3,700	445	4,145	4,943
Municipal administrator	79,601	18,278	97,879	100,502
Designated officer (2)	108,754	18,597	127,351	123,149

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria, per diems and any other direct cash remuneration.
- 2) Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, healthcare, dental coverage, vision coverage, group life insurance, professional memberships and tuition.

VILLAGE OF DUCHESS

Notes to the Financial Statements For The Year Ended December 31, 2022

13. Financial Instruments

The Village's financial instruments consist of cash and temporary investments, receivables, investments, accounts payable and accrued liabilities and deferred revenue. It is management's opinion that the Village is not exposed to significant interest or currency risk arising from these financial statements.

The Village is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other 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 fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of the financial instruments approximates their carrying values.

14. Comparative Figures

The comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

15. Budgeted Figures

The budgeted figures, approved by Council on April 12, 2022, have not been audited and are presented for information purposes only.

16. Approval of Financial Statements

These financial statements were approved by Council and Administration on March 22, 2023.