

VILLAGE OF IRMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

**Brian King Professional Corporation
Certified General Accountant**



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Irma:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Village of Irma, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Irma as at December 31, 2014, 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.

M.D. of Wainwright

February 9, 2015

A handwritten signature in black ink, appearing to be "M.D. of Wainwright".

Certified General Accountant

VILLAGE OF IRMA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	747,355	533,138
Taxes and grants in place of taxes (Note 3)	24,633	43,742
Local improvement receivable	16,000	-
Trade and other receivables	61,359	60,342
Due from other governments	54,967	3,597
Inventory held for resale	388,873	156,762
Other financial assets	9,306	8,934
	<u>1,302,493</u>	<u>806,515</u>
LIABILITIES		
Accounts payable and accrued liabilities	56,745	45,954
Deposits held in trust	1,918	3,836
Deferred revenue (Note 5)	250,506	88,050
Long term debt (Note 6)	287,307	145,269
	<u>596,476</u>	<u>283,109</u>
NET FINANCIAL ASSETS	<u>706,017</u>	<u>523,406</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	4,331,710	4,404,370
Prepaid expenses	3,293	3,212
	<u>4,335,003</u>	<u>4,407,582</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>5,041,020</u>	<u>4,930,988</u>

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013
REVENUE			
Net municipal property taxes (Schedule 3)	432,476	433,540	392,663
User fees and sales of goods	280,273	311,464	224,923
Penalties and costs on taxes	6,000	11,660	9,545
Licenses and permits	200	1,677	1,342
Fines	100	-	-
Franchise and concession contracts	50,000	67,291	54,339
Investment income	1,000	612	831
Rentals	-	50	75
Government transfers for operating	153,199	279,793	340,848
Other	4,700	7,697	48,077
Gain on disposal of assets	-	-	19,193
	<u>927,948</u>	<u>1,113,784</u>	<u>1,091,836</u>
EXPENSES			
Legislative	60,905	48,863	42,820
Administration	140,766	140,993	129,845
Protective services	99,396	72,989	82,345
Transportation	172,815	134,526	133,662
Water supply and distribution	102,700	98,662	68,098
Wastewater treatment and disposal	83,750	135,402	40,868
Waste management	60,250	53,676	51,392
Public health and welfare	7,928	6,235	9,941
Planning and development	28,500	12,745	10,250
Recreation	76,340	224,445	240,441
Culture	3,140	4,140	3,817
Amortization	-	205,369	192,773
	<u>836,490</u>	<u>1,138,045</u>	<u>1,006,252</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	91,458	(24,261)	85,584
OTHER			
Government transfers for capital (Schedule 4)	<u>110,000</u>	<u>134,293</u>	<u>200,695</u>
EXCESS OF REVENUE OVER EXPENSES	201,458	110,032	286,279
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>4,930,988</u>	<u>4,930,988</u>	<u>4,644,709</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>5,132,446</u></u>	<u><u>5,041,020</u></u>	<u><u>4,930,988</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget (unaudited)	2014	2013
EXCESS OF REVENUE OVER EXPENSES	201,458	110,032	286,279
Acquisition of tangible capital assets	(154,000)	(132,709)	(375,706)
Proceeds on disposal of tangible capital assets	-	-	19,193
Amortization of tangible capital assets	-	205,369	192,773
Loss (gain) on sale of tangible capital assets	-	-	(19,193)
	<u>(154,000)</u>	<u>72,660</u>	<u>(182,933)</u>
Net (increase) decrease of prepaid assets	-	(81)	(24)
INCREASE IN NET FINANCIAL ASSETS	47,458	182,611	103,322
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>523,406</u>	<u>523,406</u>	<u>420,084</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>570,864</u></u>	<u><u>706,017</u></u>	<u><u>523,406</u></u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING	110,032	286,279
Excess of revenues over expenses		
Non-cash items included in excess of revenue over expenses:	205,369	192,773
Amortization of tangible capital assets	-	(19,193)
Loss (gain) on disposal of tangible capital assets		
Non-cash charges to operations (net change):	19,109	7,931
Decrease (increase) in taxes and grants in place of taxes	(16,000)	-
Decrease (increase) in local improvement receivable	(1,017)	74
Decrease (increase) in trade and other receivables	(51,370)	17,312
Decrease (increase) in due from other governments	(232,111)	(18,692)
Decrease (increase) in inventory held for resale	(81)	(24)
Decrease (increase) in prepaid expenses	(372)	(237)
Decrease (increase) in other financial assets	10,791	(18,374)
Increase (decrease) in accounts payable and accrued liabilities	(1,918)	3,836
Increase (decrease) in deposits held in trust	162,456	45,307
Increase (decrease) in deferred revenue	204,888	496,992
CAPITAL	(132,709)	(375,706)
Acquisition of tangible capital assets	-	19,193
Sale of tangible capital assets	(132,709)	(356,513)
FINANCING	235,307	90,000
Long-term debt issued	(93,269)	(112,669)
Long-term debt repaid	142,038	(22,669)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	214,217	117,810
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	533,138	415,328
CASH AND CASH EQUIVALENTS, END OF YEAR	747,355	533,138
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	747,155	532,938
	747,355	533,138

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2014	2013
BALANCE, BEGINNING OF YEAR	429,282	242,605	4,259,101	4,930,988	4,644,709
Excess of revenues over expenses	110,032	-	-	110,032	286,279
Unrestricted funds designated for future use	(58,401)	58,401	-	-	-
Current year funds used for tangible capital assets	(132,709)	-	132,709	-	-
Annual amortization expense	205,369	-	(205,369)	-	-
Net change in long term debt	(73,269)	-	73,269	-	-
Change in accumulated surplus	51,022	58,401	609	110,032	286,279
BALANCE, END OF YEAR	<u>480,304</u>	<u>301,006</u>	<u>4,259,710</u>	<u>5,041,020</u>	<u>4,930,988</u>

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2014	2013
COST:								
Balance - beginning of year	154,322	6,940	1,102,670	4,874,967	325,454	180,434	6,644,787	6,355,099
Acquisition of tangible capital assets	-	-	-	119,804	12,905	-	132,709	375,706
Disposal of tangible capital assets	-	-	-	-	-	-	-	86,018
Balance - end of year	154,322	6,940	1,102,670	4,994,771	338,359	180,434	6,777,496	6,644,787
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	3,470	215,056	1,829,263	116,280	76,348	2,240,417	2,133,662
Annual amortization	-	463	22,636	147,412	25,623	9,235	205,369	192,773
Accumulated amortization on disposals	-	-	-	-	-	-	-	86,018
Balance - end of year	-	3,933	237,692	1,976,675	141,903	85,583	2,445,786	2,240,417
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	3,007	864,978	3,018,096	196,456	94,851	4,331,710	4,404,370
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	3,470	887,614	3,045,704	209,174	104,086	4,404,370	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 3)

	Budget (Unaudited)	2014	2013
TAXATION			
Real property taxes	529,791	510,854	487,582
Linear property taxes	15,876	15,876	13,251
Government grants in place of property taxes	4,373	4,373	4,388
Local improvement taxes	-	20,000	-
	<u>550,040</u>	<u>551,103</u>	<u>505,221</u>
REQUISITIONS			
Alberta School Foundation	111,377	111,376	107,006
Battle River Foundation	6,187	6,187	5,552
	<u>117,564</u>	<u>117,563</u>	<u>112,558</u>
NET MUNICIPAL TAXES	<u>432,476</u>	<u>433,540</u>	<u>392,663</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 4)

	Budget (Unaudited)	2014	2013
TRANSFERS FOR OPERATING			
Provincial Government	35,000	37,346	62,188
Local Governments	118,199	242,447	278,660
	<u>153,199</u>	<u>279,793</u>	<u>340,848</u>
TRANSFERS FOR CAPITAL			
Federal Government	-	-	50,000
Provincial Government	110,000	134,293	150,695
	<u>110,000</u>	<u>134,293</u>	<u>200,695</u>
TOTAL GOVERNMENT TRANSFERS	<u>263,199</u>	<u>414,086</u>	<u>541,543</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2014 (Schedule 5)

	Budget (Unaudited)	2014	2013
Expenditures			
Salaries, wages and benefits	339,250	300,160	274,004
Contracted and general services	275,680	295,288	171,206
Purchases from other governments	3,000	459	2,425
Materials, goods and utilities	123,000	101,622	108,104
Provision for allowances	-	6,715	299
Transfers to local boards and agencies	64,245	214,528	241,226
Transfers to individuals and agencies	8,500	8,500	10,250
Bank charges and short term interest	500	180	125
Interest on operating long term debt	-	1,102	-
Interest on capital long term debt	19,465	2,385	2,236
Other expenditures	2,850	1,737	3,604
Amortization of tangible capital assets	-	205,369	192,773
	<u>836,490</u>	<u>1,138,045</u>	<u>1,006,252</u>

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SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2014
(Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 2)	433,540	-	-	-	-	-	-	433,540
User fees and sales of goods	2,821	40,319	2,431	244,189	605	21,099	-	311,464
Penalties and costs on taxes	7,160	-	-	4,500	-	150	-	11,660
Licenses and permits	717	810	-	-	-	-	-	1,677
Franchise and concession contracts	67,291	-	-	-	-	-	-	67,291
Investment income	612	-	-	-	-	-	-	612
Rentals	50	-	-	-	-	-	-	50
Government transfers	37,346	54,133	-	1,000	1,000	-	186,314	279,793
Other	3,307	210	-	-	4,180	-	-	7,697
	<u>552,844</u>	<u>95,472</u>	<u>2,431</u>	<u>249,689</u>	<u>5,785</u>	<u>21,249</u>	<u>186,314</u>	<u>1,113,784</u>
EXPENSES								
Salaries, wages and benefits	97,954	20,254	59,258	106,970	-	-	15,724	300,160
Contracted and general services	74,715	33,438	19,928	162,426	2,407	-	2,374	295,288
Purchases from other governments	-	459	-	-	-	3,143	-	459
Materials, goods and utilities	9,895	16,490	49,975	20,084	-	-	2,035	101,622
Provision for allowances	6,715	-	-	-	-	-	-	6,715
Transfers to local boards and agencies	-	2,248	-	-	3,828	-	208,452	214,528
Transfers to individuals and agencies	-	-	-	-	-	8,500	-	8,500
Bank charges and short term interest	180	-	-	-	-	-	-	180
Interest on operating long term debt	-	-	-	-	-	1,102	-	1,102
Interest on capital long term debt	-	-	2,385	-	-	-	-	2,385
Other expenditures	397	100	1,240	-	-	-	-	1,737
	<u>189,856</u>	<u>72,989</u>	<u>132,786</u>	<u>289,480</u>	<u>6,235</u>	<u>12,745</u>	<u>228,585</u>	<u>932,676</u>
	362,988	22,483	(130,355)	(39,791)	(450)	8,504	(42,271)	181,108
NET REVENUE, BEFORE AMORTIZATION								
	846	31,337	127,815	43,820	697	-	854	205,369
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets				(83,611)	(1,147)	8,504	(43,125)	(24,261)
NET REVENUE	<u>362,142</u>	<u>(8,854)</u>	<u>(258,170)</u>					

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Irma are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Significant aspects of the accounting policies adopted by the village are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change 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 are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, 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.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) 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.

f) 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 levelling 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.

g) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) 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.

h) 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 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:

	YEARS
Buildings	50
Engineered structures - other	20-50
Engineered structures - water system	30-75
Engineered structures - wastewater system	50
Land improvements	15
Machinery and equipment	7-15
Vehicles	10-25

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.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

2. CASH AND TERM DEPOSITS

	<u>2014</u>	<u>2013</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)	200,506	88,050
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 8)	301,006	242,605
Total restricted cash and term deposits	<u>501,512</u>	<u>330,655</u>
Total un-restricted cash and term deposits	<u>245,843</u>	<u>202,483</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2014</u>	<u>2013</u>
Prepaid property taxes	(4,421)	(3,511)
Current taxes and grants in place of taxes	12,380	15,325
Arrears taxes	1,674	10,387
Property held by the village as a result of tax forfeiture	21,541	21,541
	<u>31,174</u>	<u>43,742</u>
Less: allowance for doubtful accounts	6,541	-
	<u>24,633</u>	<u>43,742</u>

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$150,000 bearing interest at prime, secured by all assets of the village at large.

5. DEFERRED INCOME

Deferred income consists of the following:	<u>2014</u>	<u>2013</u>
Municipal Sustainability Initiative - capital	139,825	71,369
Federal Gas Tax	50,000	-
Donations for fire truck replacement	44,000	-
Municipal Infrastructure Management System implementation grant	16,681	16,681
	<u>250,506</u>	<u>88,050</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

6. LONG TERM DEBT

	2014	2013
Operating		
Wainwright Credit Union Ltd.	215,307	-
Capital		
Municipal District of Wainwright No. 61	-	55,269
Wainwright Credit Union Ltd.	72,000	90,000
	72,000	145,269
Alberta Capital Finance Authority	287,307	145,269

Principal and interest payments are as follows:

	Principal	Interest	Total
2015	38,000	8,619	46,619
2016	38,000	7,479	45,479
2017	38,000	6,339	44,339
2018	38,000	5,199	43,199
2019	20,000	4,059	24,059
Thereafter	115,307	11,755	127,062
	287,307	43,450	330,757

Operating debt repayable to the Wainwright Credit Union Ltd. bears interest at Prime and matures in 2018 and is secured by a mortgage on land.

Debt repayable to the Wainwright Credit Union Ltd. bears interest at Prime and matures in 2018 and is secured by the credit and security of the village at large.

Debt repayable to the Municipal District Of Wainwright No. 61 bears no interest and matures in 2015 and is secured by the credit and security of the village at large.

The village's total cash payments for interest in 2014 were \$3,487 (2013 - \$2,594).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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 Irma be disclosed as follows:

	<u>2014</u>	<u>2013</u>
Total debt limit	1,670,676	1,585,796
Total debt	287,307	145,269
Surplus debt limit	<u>1,383,369</u>	<u>1,440,527</u>
Debt servicing limit	278,446	264,299
Debt servicing	46,619	60,241
Surplus debt servicing	<u>231,827</u>	<u>204,058</u>

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 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. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule 2)	6,777,496	6,644,787
Accumulated amortization (Schedule 2)	(2,445,786)	(2,240,417)
Long-term debt (Note 6)	(72,000)	(145,269)
	<u>4,259,710</u>	<u>4,259,101</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

9. ACCUMULATED SURPLUS

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

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	<u>480,304</u>	<u>429,282</u>
Restricted surplus		
Fire & rescue department	126,732	85,789
Water system	142,202	127,122
Cemetery	<u>32,072</u>	<u>29,694</u>
	<u>301,006</u>	<u>242,605</u>
Equity in tangible capital assets	<u>4,259,710</u>	<u>4,259,101</u>
	<u>5,041,020</u>	<u>4,930,988</u>

10. SEGMENTED DISCLOSURE

The Village of Irma 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)

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

11. SALARY AND BENEFITS DISCLOSURE

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

	2014			2013
	Salary	Benefits & Allowances	Total	Total
Coubrough	6,770	1,562	8,332	6,367
Challenger	3,700	1,634	5,334	1,239
Fuder D	6,400	1,724	8,124	8,206
Fuder V	5,080	1,638	6,718	1,399
Green	6,400	1,724	8,124	1,799
Larson	-	-	-	3,307
Nissen	-	-	-	6,267
White	-	-	-	1,147
CAO	-	-	-	26,955
CAO	60,000	15,408	75,408	41,537

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.

12. 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.

The village is a member of the Wainwright Regional Waste to Energy Authority. Under the terms of the membership, the village could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the authority. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

13. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the village is not exposed to significant interest or currency risks arising from these financial instruments.

The village is subject to credit risk with respect to taxes receivable 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 these financial instruments approximates their fair value.

14. 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 230,534 people and 418 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The village is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the village to the LAPP in 2014 were \$17,690. Total current service contributions by the employees of the village to the Local Authorities Pension Plan in 2014 were \$16,186.

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$4.86 billion.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

15. RECONCILIATION OF OPERATING RESULTS TO BUDGETING SYSTEM

The village has prepared its budget according to the former accounting standards that were in place previously which tracked all municipal activities including capital projects and reserves for future use. The reconciliation below to encompass these items is provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2014	2013
Excess of revenue over expenditures, per financial statements	201,458	110,032	286,279
Adjustments			
Amortization expense	-	205,369	192,773
Acquisition of tangible capital assets	(154,000)	(132,709)	(375,706)
Results of operations - previous methods	47,458	182,692	103,346
Net transfers (to) from reserves	46,011	(58,401)	(5,454)
Debenture repaid	(93,469)	(73,269)	(111,865)
Increase (decrease) in unrestricted surplus	-	51,022	(13,973)

16. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.