

VILLAGE OF IRMA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016, 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, 2016, 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 3, 2017

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

Chartered Professional Accountant

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	1,454,431	1,687,582
Taxes and grants in place of taxes (Note 3)	39,382	35,435
Local improvement receivable	8,000	12,000
Trade and other receivables	65,292	69,666
Due from other governments	6,380	8,415
Inventory held for resale	380,792	375,130
Other financial assets	10,288	9,578
	<u>1,964,565</u>	<u>2,197,806</u>
LIABILITIES		
Accounts payable and accrued liabilities	51,287	42,345
Deposits held in trust	2,500	-
Deferred revenue (Note 5)	561,560	1,015,705
Long term debt (Note 6)	211,307	249,307
	<u>826,654</u>	<u>1,307,357</u>
NET FINANCIAL ASSETS	<u>1,137,911</u>	<u>890,449</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	4,699,274	4,257,682
Prepaid expenses	3,543	3,374
	<u>4,702,817</u>	<u>4,261,056</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>5,840,728</u>	<u>5,151,505</u>

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
REVENUE			
Net municipal property taxes (Schedule 3)	437,500	437,774	429,219
User fees and sales of goods	264,700	294,128	309,009
Penalties and costs on taxes	6,500	10,711	11,813
Licenses and permits	500	2,880	1,175
Fines	500	1,481	2,331
Franchise and concession contracts	100,000	114,740	107,387
Investment income	1,000	5,782	4,688
Rentals	-	-	1,700
Government transfers for operating	246,810	319,658	306,727
Other	4,800	22,108	118,341
Gain on disposal of assets	-	-	1,000
	<u>1,062,310</u>	<u>1,209,262</u>	<u>1,293,390</u>
EXPENSES			
Legislative	57,000	45,501	50,853
Administration	149,700	135,709	170,937
Protective services	115,100	97,907	161,090
Transportation	228,500	153,412	144,125
Water supply and distribution	191,500	110,561	119,348
Wastewater treatment and disposal	67,600	46,440	41,748
Waste management	71,900	69,313	57,463
Public health and welfare	8,200	7,173	13,083
Planning and development	18,000	11,273	36,455
Recreation	78,000	237,663	236,412
Culture	3,300	3,472	4,285
Amortization	-	222,892	213,064
	<u>988,800</u>	<u>1,141,316</u>	<u>1,248,863</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	73,510	67,946	44,527
OTHER			
Government transfers for capital (Schedule 4)	321,000	621,277	65,958
EXCESS OF REVENUE OVER EXPENSES	394,510	689,223	110,485
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,151,505	5,151,505	5,041,020
ACCUMULATED SURPLUS, END OF YEAR	<u>5,546,015</u>	<u>5,840,728</u>	<u>5,151,505</u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget (unaudited)	2016	2015
EXCESS OF REVENUE OVER EXPENSES	394,510	689,223	110,485
Acquisition of tangible capital assets	(821,000)	(664,484)	(139,036)
Proceeds on disposal of tangible capital assets	-	-	1,000
Amortization of tangible capital assets	-	222,892	213,064
Loss (gain) on sale of tangible capital assets	-	-	(1,000)
	(821,000)	(441,592)	74,028
Net (increase) decrease of prepaid assets	-	(169)	(81)
INCREASE IN NET FINANCIAL ASSETS	(426,490)	247,462	184,432
NET FINANCIAL ASSETS, BEGINNING OF YEAR	890,449	890,449	706,017
NET FINANCIAL ASSETS, END OF YEAR	463,959	1,137,911	890,449

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	689,223	110,485
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	222,892	213,064
Loss (gain) on disposal of tangible capital assets	-	(1,000)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(3,947)	(6,809)
Decrease (increase) in local improvement receivable	4,000	4,000
Decrease (increase) in trade and other receivables	4,374	(8,307)
Decrease (increase) in due from other governments	2,035	46,552
Decrease (increase) in inventory held for resale	(5,662)	13,743
Decrease (increase) in prepaid expenses	(169)	(81)
Decrease (increase) in other financial assets	(710)	(272)
Increase (decrease) in accounts payable and accrued liabilities	8,942	(14,400)
Increase (decrease) in deposits held in trust	2,500	(1,918)
Increase (decrease) in deferred revenue	(454,145)	761,206
	<u>469,333</u>	<u>1,116,263</u>
CAPITAL		
Acquisition of tangible capital assets	(664,484)	(139,036)
Sale of tangible capital assets	-	1,000
	<u>(664,484)</u>	<u>(138,036)</u>
FINANCING		
Long-term debt repaid	(38,000)	(38,000)
	<u>(38,000)</u>	<u>(38,000)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(233,151)	940,227
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,687,582</u>	<u>747,355</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>1,454,431</u></u>	<u><u>1,687,582</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	905,488	1,666,392
Term deposits	548,743	20,990
	<u><u>1,454,431</u></u>	<u><u>1,687,582</u></u>

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, BEGINNING OF YEAR	630,613	317,210	4,203,682	5,151,505	5,041,020
Excess of revenues over expenses	689,223	-	-	689,223	110,485
Unrestricted funds designated for future use	(194,070)	194,070	-	-	-
Restricted funds used for tangible capital assets	-	(7,701)	7,701	-	-
Current year funds used for tangible capital assets	(656,783)	-	656,783	-	-
Annual amortization expense	222,892	-	(222,892)	-	-
Net change in long term debt	(18,000)	-	18,000	-	-
Change in accumulated surplus	43,262	186,369	459,592	689,223	110,485
BALANCE, END OF YEAR	673,875	503,579	4,663,274	5,840,728	5,151,505

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2016	2015
COST:								
Balance - beginning of year	154,322	6,940	1,102,670	5,017,307	399,342	235,951	6,916,532	6,777,496
Acquisition of tangible capital assets	-	-	-	610,223	49,600	-	659,823	116,500
Construction in progress	-	-	-	4,661	-	-	4,661	22,536
Balance - end of year	154,322	6,940	1,102,670	5,632,191	448,942	235,951	7,581,016	6,916,532
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	4,395	260,327	2,125,873	171,220	97,035	2,658,850	2,445,786
Annual amortization	-	463	22,636	151,746	34,381	13,666	222,892	213,064
Balance - end of year	-	4,858	282,963	2,277,619	205,601	110,701	2,881,742	2,658,850
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	2,082	819,707	3,354,572	243,341	125,250	4,699,274	4,257,682
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	2,545	842,343	2,891,434	228,122	138,916	4,257,682	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 3)

	Budget (Unaudited)	2016	2015
TAXATION			
Real property taxes	545,593	545,409	533,635
Linear property taxes	13,596	13,596	13,689
Government grants in place of property taxes	811	811	1,024
	<u>560,000</u>	<u>559,816</u>	<u>548,348</u>
REQUISITIONS			
Alberta School Foundation	116,000	115,554	112,813
Battle River Foundation	6,500	6,488	6,316
	<u>122,500</u>	<u>122,042</u>	<u>119,129</u>
NET MUNICIPAL TAXES	<u>437,500</u>	<u>437,774</u>	<u>429,219</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 4)

	Budget (Unaudited)	2016	2015
TRANSFERS FOR OPERATING			
Federal Government	-	3,402	2,499
Provincial Government	156,200	58,793	44,513
Local Governments	90,610	257,463	259,715
	<u>246,810</u>	<u>319,658</u>	<u>306,727</u>
TRANSFERS FOR CAPITAL			
Federal Government	50,000	127,464	22,536
Provincial Government	196,000	489,152	43,422
Local Governments	75,000	4,661	-
	<u>321,000</u>	<u>621,277</u>	<u>65,958</u>
TOTAL GOVERNMENT TRANSFERS	<u>567,810</u>	<u>940,935</u>	<u>372,685</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2016 (Schedule 5)

	Budget (Unaudited)	2016	2015
Expenditures			
Salaries, wages and benefits	415,000	340,558	313,251
Contracted and general services	309,150	218,491	266,331
Purchases from other governments	3,600	1,029	4,111
Materials, goods and utilities	166,700	102,782	141,529
Provision for allowances	-	5,615	991
Transfers to other governments	-	-	59,969
Transfers to local boards and agencies	64,800	234,776	233,333
Transfers to individuals and agencies	6,000	6,000	7,000
Bank charges and short term interest	500	275	190
Interest on operating long term debt	7,000	5,273	6,012
Interest on capital long term debt	6,000	1,187	1,714
Other expenditures	10,050	2,438	1,368
Amortization of tangible capital assets	-	222,892	213,064
	<u>988,800</u>	<u>1,141,316</u>	<u>1,248,863</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2016 (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)	437,774	-	-	-	-	-	-	437,774
User fees and sales of goods	5,628	27,200	3,090	256,460	1,750	-	-	294,128
Penalties and costs on taxes	6,047	-	-	4,664	-	-	-	10,711
Licenses and permits	2,110	570	-	-	-	200	-	2,880
Fines	1,481	-	-	-	-	-	-	1,481
Franchise and concession contracts	114,740	-	-	-	-	-	-	114,740
Investment income	5,782	-	-	-	-	-	-	5,782
Government transfers	35,238	53,673	7,508	18,847	-	-	204,392	319,658
Other	710	10,300	-	-	6,217	-	4,881	22,108
	609,510	91,743	10,598	279,971	7,967	200	209,273	1,209,262
EXPENSES								
Salaries, wages and benefits	96,940	23,123	74,314	132,313	1,787	-	12,081	340,558
Contracted and general services	65,190	48,833	21,016	79,689	500	-	3,263	218,491
Purchases from other governments	-	1,029	-	-	-	-	-	1,029
Materials, goods and utilities	8,573	21,173	49,545	21,047	1,033	-	1,411	102,782
Provision for allowances	5,000	-	-	615	-	-	-	5,615
Transfers to local boards and agencies	5,000	1,568	-	-	3,828	-	224,380	234,776
Transfers to individuals and agencies	-	-	-	-	-	6,000	-	6,000
Bank charges and short term interest	275	-	-	-	-	-	-	275
Interest on operating long term debt	-	-	-	-	-	5,273	-	5,273
Interest on capital long term debt	-	-	1,187	-	-	-	-	1,187
Other expenditures	232	2,181	-	-	25	-	-	2,438
	181,210	97,907	146,062	233,664	7,173	11,273	241,135	918,424
NET REVENUE, BEFORE AMORTIZATION	428,300	(6,164)	(135,464)	46,307	794	(11,073)	(31,862)	290,838
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	847	38,412	137,536	44,546	697	-	854	222,892
NET REVENUE	427,453	(44,576)	(273,000)	1,761	97	(11,073)	(32,716)	67,946

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 Chartered Professional 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, 2016

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, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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.

i) 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, 2016

2. CASH AND TERM DEPOSITS

	<u>2016</u>	<u>2015</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 5)	553,644	1,011,712
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	503,579	317,210
Total restricted cash and term deposits	<u>1,057,223</u>	<u>1,328,922</u>
Total un-restricted cash and term deposits	<u>397,208</u>	<u>358,660</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2016</u>	<u>2015</u>
Current taxes and grants in place of taxes	19,780	17,937
Arrears taxes	4,602	2,498
Property held by the village as a result of tax forfeiture	26,541	21,541
	<u>50,923</u>	<u>41,976</u>
Less: allowance for doubtful accounts	11,541	6,541
	<u>39,382</u>	<u>35,435</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>2016</u>	<u>2015</u>
Alberta Community Partnership	302,653	505,895
Municipal Sustainability Initiative - capital	88,971	336,672
Federal Gas Tax	-	77,464
MD of Wainwright	145,339	75,000
Municipal Infrastructure Management System implementation grant	16,681	16,681
Prepaid property taxes	7,916	3,993
	<u>561,560</u>	<u>1,015,705</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

6. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Operating		
Wainwright Credit Union Ltd.	<u>175,307</u>	<u>195,307</u>
Capital		
Wainwright Credit Union Ltd.	<u>36,000</u>	<u>54,000</u>
	<u>211,307</u>	<u>249,307</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	38,000	5,705	43,705
2018	38,000	4,679	42,679
2019	20,000	3,653	23,653
2020	20,000	3,113	23,113
2021	20,000	2,573	22,573
Thereafter	<u>75,307</u>	<u>7,466</u>	<u>82,773</u>
	<u>211,307</u>	<u>27,189</u>	<u>238,496</u>

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.

The village's total cash payments for interest in 2016 were \$6,743 (2015 - \$8,136).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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:

	2016	2015
Total debt limit	<u>1,813,893</u>	<u>1,940,085</u>
Total debt	<u>211,307</u>	<u>249,307</u>
Surplus debt limit	<u>1,602,586</u>	<u>1,690,778</u>
Debt servicing limit	<u>302,316</u>	<u>323,348</u>
Debt servicing	<u>43,705</u>	<u>44,731</u>
Surplus debt servicing	<u>258,611</u>	<u>278,617</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

	2016	2015
Tangible capital assets (Schedule 2)	<u>7,581,016</u>	<u>6,916,532</u>
Accumulated amortization (Schedule 2)	<u>(2,881,742)</u>	<u>(2,658,850)</u>
Long-term debt (Note 6)	<u>(36,000)</u>	<u>(54,000)</u>
	<u>4,663,274</u>	<u>4,203,682</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

9. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	<u>673,875</u>	<u>630,613</u>
Restricted surplus		
Sidewalk replacement	-	7,701
General capital	150,000	-
Fire & rescue department	137,755	113,660
Water system	172,780	157,427
Cemetery	<u>43,044</u>	<u>38,422</u>
	<u>503,579</u>	<u>317,210</u>
Equity in tangible capital assets	<u>4,663,274</u>	<u>4,203,682</u>
	<u><u>5,840,728</u></u>	<u><u>5,151,505</u></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, 2016

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:

	2016			2015
	Salary	Benefits & Allowances	Total	Total
Coubrough	3,780	1,562	5,342	5,802
Challenger	4,180	1,634	5,814	5,414
Fuder D	8,970	1,880	10,850	10,925
Fuder V	4,480	1,634	6,114	5,814
Green	7,020	1,751	8,771	8,451
CAO	66,000	18,149	84,149	83,112

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, 2016

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 244,621 people and 426 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 during the year were \$19,716. Total current service contributions by the employees of the village to the Local Authorities Pension Plan during the year were \$18,059.

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 Million.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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)	2016	2015
Excess of revenue over expenditures, per financial statements	394,510	689,223	110,485
Adjustments			
Amortization expense	-	222,892	213,064
Loss (gain) on disposal of tangible capital assets	-	-	(1,000)
Acquisition of tangible capital assets	(821,000)	(664,484)	(139,036)
Proceeds on disposition of tangible capital assets	-	-	1,000
Results of operations - previous methods	(426,490)	247,631	184,513
Net transfers (to) from reserves	454,490	(186,369)	(16,204)
Debenture repaid	(28,000)	(18,000)	(18,000)
Increase (decrease) in unrestricted surplus	-	43,262	150,309

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.