

VILLAGE OF IRMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, 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, 2017, 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.

A handwritten signature in black ink, appearing to read "Brian King".

M.D. of Wainwright
February 13, 2018

Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF IRMA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	1,227,042	1,454,431
Taxes and grants in place of taxes (Note 3)	51,838	39,382
Local improvement receivable	4,000	8,000
Trade and other receivables	64,005	65,292
Due from other governments	14,953	6,380
Inventory held for resale	366,753	380,792
Other financial assets	10,392	10,288
	<u>1,738,983</u>	<u>1,964,565</u>
LIABILITIES		
Accounts payable and accrued liabilities	51,438	51,287
Deposits held in trust	2,500	2,500
Deferred revenue (Note 5)	433,595	561,560
Long term debt (Note 6)	173,307	211,307
	<u>660,840</u>	<u>826,654</u>
NET FINANCIAL ASSETS	<u>1,078,143</u>	<u>1,137,911</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	4,954,574	4,699,274
Prepaid expenses	3,720	3,543
	<u>4,958,294</u>	<u>4,702,817</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>6,036,437</u>	<u>5,840,728</u>

VILLAGE OF IRMA

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
REVENUE			
Net municipal property taxes (Schedule 3)	437,300	437,900	437,774
User fees and sales of goods	289,700	336,710	294,128
Penalties and costs on taxes	6,500	11,012	10,711
Licenses and permits	500	2,428	2,880
Fines	500	82	1,481
Franchise and concession contracts	112,000	121,395	114,740
Investment income	1,000	5,126	5,782
Government transfers for operating	202,510	336,034	319,658
Other	133,650	147,747	22,108
Gain on disposal of assets	-	11,025	-
	<u>1,183,660</u>	<u>1,409,459</u>	<u>1,209,262</u>
EXPENSES			
Legislative	57,100	47,936	45,501
Administration	193,800	155,625	135,709
Protective services	116,200	102,821	97,907
Transportation	180,250	162,306	153,412
Water supply and distribution	135,200	122,324	110,561
Wastewater treatment and disposal	64,500	51,228	46,440
Waste management	78,400	70,794	69,313
Public health and welfare	8,700	10,133	7,173
Planning and development	11,500	24,270	11,273
Recreation	175,800	327,546	237,663
Culture	3,600	356,427	3,472
Amortization	225,750	235,066	222,892
	<u>1,250,800</u>	<u>1,666,476</u>	<u>1,141,316</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	(67,140)	(257,017)	67,946
OTHER			
Government transfers for capital (Schedule 4)	245,000	452,726	621,277
EXCESS OF REVENUE OVER EXPENSES	177,860	195,709	689,223
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,840,728	5,840,728	5,151,505
ACCUMULATED SURPLUS, END OF YEAR	<u>6,018,588</u>	<u>6,036,437</u>	<u>5,840,728</u>

VILLAGE OF IRMA

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget (unaudited)	2017	2016
EXCESS OF REVENUE OVER EXPENSES	<u>177,860</u>	<u>195,709</u>	<u>689,223</u>
Acquisition of tangible capital assets	(479,000)	(490,366)	(664,484)
Proceeds on disposal of tangible capital assets	-	11,025	-
Amortization of tangible capital assets	225,750	235,066	222,892
Loss (gain) on sale of tangible capital assets	-	(11,025)	-
	<u>(253,250)</u>	<u>(255,300)</u>	<u>(441,592)</u>
Net (increase) decrease of prepaid assets	-	(177)	(169)
INCREASE IN NET FINANCIAL ASSETS	(75,390)	(59,768)	247,462
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,137,911</u>	<u>1,137,911</u>	<u>890,449</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>1,062,521</u></u>	<u><u>1,078,143</u></u>	<u><u>1,137,911</u></u>

VILLAGE OF IRMA

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	195,709	689,223
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	235,066	222,892
Loss (gain) on disposal of tangible capital assets	(11,025)	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(12,456)	(3,947)
Decrease (increase) in local improvement receivable	4,000	4,000
Decrease (increase) in trade and other receivables	1,287	4,374
Decrease (increase) in due from other governments	(8,573)	2,035
Decrease (increase) in inventory held for resale	14,039	(5,662)
Decrease (increase) in prepaid expenses	(177)	(169)
Decrease (increase) in other financial assets	(104)	(710)
Increase (decrease) in accounts payable and accrued liabilities	151	8,942
Increase (decrease) in deposits held in trust	-	2,500
Increase (decrease) in deferred revenue	(127,965)	(454,145)
	289,952	469,333
CAPITAL		
Acquisition of tangible capital assets	(490,366)	(664,484)
Sale of tangible capital assets	11,025	-
	(479,341)	(664,484)
FINANCING		
Long-term debt repaid	(38,000)	(38,000)
	(38,000)	(38,000)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(227,389)	(233,151)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,454,431	1,687,582
CASH AND CASH EQUIVALENTS, END OF YEAR	1,227,042	1,454,431
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	200	200
Cash in bank	678,099	1,433,241
Term deposits	548,743	20,990
	1,227,042	1,454,431

VILLAGE OF IRMA

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	673,875	503,579	4,663,274	5,840,728	5,151,505
Excess of revenues over expenses	195,709	-	-	195,709	689,223
Unrestricted funds designated for future use	(15,293)	15,293	-	-	-
Restricted funds used for operations	151,582	(151,582)	-	-	-
Restricted funds used for tangible capital assets	-	(7,910)	7,910	-	-
Current year funds used for tangible capital assets	(482,456)	-	482,456	-	-
Annual amortization expense	235,066	-	(235,066)	-	-
Net change in long term debt	(18,000)	-	18,000	-	-
Change in accumulated surplus	66,608	(144,199)	273,300	195,709	689,223
BALANCE, END OF YEAR	740,483	359,380	4,936,574	6,036,437	5,840,728

VILLAGE OF IRMA

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2017	2016
COST:								
Balance - beginning of year	154,322	6,940	1,102,670	5,632,191	448,942	235,951	7,581,016	6,916,532
Acquisition of tangible capital assets	-	-	-	344,285	77,946	37,640	459,871	659,823
Construction in progress	-	-	-	30,495	-	-	30,495	4,661
Disposal of tangible capital assets	-	-	-	-	-	26,607	26,607	-
Balance - end of year	154,322	6,940	1,102,670	6,006,971	526,888	246,984	8,044,775	7,581,016
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	4,858	282,963	2,277,619	205,601	110,701	2,881,742	2,658,850
Annual amortization	-	463	22,636	161,382	37,014	13,571	235,066	222,892
Accumulated amortization on disposals	-	-	-	-	-	26,607	26,607	-
Balance - end of year	-	5,321	305,599	2,439,001	242,615	97,665	3,090,201	2,881,742
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	1,619	797,071	3,567,970	284,273	149,319	4,954,574	4,699,274
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	2,082	819,707	3,354,572	243,341	125,250	4,699,274	

VILLAGE OF IRMA

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 3)

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	549,749	549,931	545,409
Linear property taxes	12,952	12,952	13,596
Government grants in place of property taxes	799	799	811
	<u>563,500</u>	<u>563,682</u>	<u>559,816</u>
REQUISITIONS			
Alberta School Foundation	119,500	119,094	115,554
Battle River Foundation	6,700	6,688	6,488
	<u>126,200</u>	<u>125,782</u>	<u>122,042</u>
NET MUNICIPAL TAXES	<u>437,300</u>	<u>437,900</u>	<u>437,774</u>

VILLAGE OF IRMA

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 4)

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Federal Government	-	-	3,402
Provincial Government	111,900	88,837	58,793
Local Governments	90,610	247,197	257,463
	<u>202,510</u>	<u>336,034</u>	<u>319,658</u>
TRANSFERS FOR CAPITAL			
Federal Government	50,000	50,000	127,464
Provincial Government	195,000	197,387	489,152
Local Governments	-	205,339	4,661
	<u>245,000</u>	<u>452,726</u>	<u>621,277</u>
TOTAL GOVERNMENT TRANSFERS	<u>447,510</u>	<u>788,760</u>	<u>940,935</u>

VILLAGE OF IRMA

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 5)

	Budget (Unaudited)	2017	2016
Expenditures			
Salaries, wages and benefits	372,800	344,942	340,558
Contracted and general services	299,450	255,307	218,491
Purchases from other governments	3,600	2,749	1,029
Materials, goods and utilities	156,250	133,098	102,782
Provision for allowances	-	-	5,615
Transfers to local boards and agencies	177,000	682,675	234,776
Transfers to individuals and agencies	5,500	5,500	6,000
Bank charges and short term interest	500	130	275
Interest on operating long term debt	6,000	5,076	5,273
Interest on capital long term debt	2,000	687	1,187
Other expenditures	1,950	1,246	2,438
Amortization of tangible capital assets	225,750	235,066	222,892
	<u>1,250,800</u>	<u>1,666,476</u>	<u>1,141,316</u>

VILLAGE OF IRMA

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2017 (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)	437,900	-	-	-	-	-	-	437,900
User fees and sales of goods	897	24,326	1,950	262,979	850	45,708	-	336,710
Penalties and costs on taxes	6,374	-	-	4,638	-	-	-	11,012
Licenses and permits	1,628	650	-	-	-	150	-	2,428
Fines	82	-	-	-	-	-	-	82
Franchise and concession contracts	121,395	-	-	-	-	-	-	121,395
Investment income	5,126	-	-	-	-	-	-	5,126
Government transfers	60,420	53,673	4,420	22,877	1,000	-	193,644	336,034
Other	24,810	589	-	-	2,923	-	119,425	147,747
	<u>658,632</u>	<u>79,238</u>	<u>6,370</u>	<u>290,494</u>	<u>4,773</u>	<u>45,858</u>	<u>313,069</u>	<u>1,398,434</u>
EXPENSES								
Salaries, wages and benefits	95,678	25,430	72,017	135,911	2,122	-	13,784	344,942
Contracted and general services	88,110	53,705	27,210	82,170	495	-	3,617	255,307
Purchases from other governments	-	2,749	-	-	-	-	-	2,749
Materials, goods and utilities	8,427	17,762	61,412	26,944	3,688	13,694	1,171	133,098
Transfers to local boards and agencies	10,521	2,925	-	-	3,828	-	665,401	682,675
Transfers to individuals and agencies	-	-	-	-	-	5,500	-	5,500
Bank charges and short term interest	130	-	-	-	-	-	-	130
Interest on operating long term debt	-	-	-	-	-	5,076	-	5,076
Interest on capital long term debt	-	-	687	-	-	-	-	687
Other expenditures	695	250	-	301	-	-	-	1,246
	<u>203,561</u>	<u>102,821</u>	<u>161,326</u>	<u>245,326</u>	<u>10,133</u>	<u>24,270</u>	<u>683,973</u>	<u>1,431,410</u>
NET REVENUE, BEFORE AMORTIZATION	<u>455,071</u>	<u>(23,583)</u>	<u>(154,956)</u>	<u>45,168</u>	<u>(5,360)</u>	<u>21,588</u>	<u>(370,904)</u>	<u>(32,976)</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	846	39,667	141,462	51,540	697	-	854	235,066
NET REVENUE	<u>454,225</u>	<u>(52,225)</u>	<u>(296,418)</u>	<u>(6,372)</u>	<u>(6,057)</u>	<u>21,588</u>	<u>(371,758)</u>	<u>(257,017)</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

2. CASH AND TERM DEPOSITS

	<u>2017</u>	<u>2016</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)	425,355	553,644
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	359,380	<u>503,579</u>
Total restricted cash and term deposits	<u>784,735</u>	<u>1,057,223</u>
Total un-restricted cash and term deposits	<u>442,307</u>	<u>397,208</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2017</u>	<u>2016</u>
Current taxes and grants in place of taxes	29,569	19,780
Arrears taxes	7,269	4,602
Property held by the village as a result of tax forfeiture	26,541	26,541
	63,379	50,923
Less: allowance for doubtful accounts	11,541	11,541
	<u>51,838</u>	<u>39,382</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>2017</u>	<u>2016</u>
Alberta Community Partnership	292,817	302,653
Municipal Sustainability Initiative - capital	117,538	88,971
MD of Wainwright	15,000	145,339
Municipal Infrastructure Management System implementation grant	-	16,681
Prepaid property taxes	8,240	7,916
	<u>433,595</u>	<u>561,560</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

6. LONG TERM DEBT

	2017	2016
Operating		
Encompass Credit Union	155,307	175,307
Capital		
Encompass Credit Union	18,000	36,000
	173,307	211,307

Principal and interest payments are as follows:

	Principal	Interest	Total
2018	38,000	5,546	43,546
2019	20,000	4,330	24,330
2020	20,000	3,690	23,690
2021	20,000	3,050	23,050
2022	20,000	2,410	22,410
Thereafter	55,307	2,900	58,207
	173,307	21,926	195,233

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

Debt repayable to the Encompass Credit Union 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 2017 were \$6,046 (2016 - \$6,743).

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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>2017</u>	<u>2016</u>
Total debt limit	2,114,189	1,813,893
Total debt	173,307	211,307
Surplus debt limit	<u>1,940,882</u>	<u>1,602,586</u>
Debt servicing limit	352,365	302,316
Debt servicing	43,546	43,705
Surplus debt servicing	<u>308,819</u>	<u>258,611</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>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 2)	8,044,775	7,581,016
Accumulated amortization (Schedule 2)	(3,090,201)	(2,881,742)
Long-term debt (Note 6)	(18,000)	(36,000)
	<u>4,936,574</u>	<u>4,663,274</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

9. ACCUMULATED SURPLUS

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

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	<u>740,483</u>	<u>673,875</u>
Restricted surplus		
General capital	-	150,000
Fire & rescue department	129,845	137,755
Water system	188,073	172,780
Cemetery	41,462	43,044
	<u>359,380</u>	<u>503,579</u>
Equity in tangible capital assets	<u>4,936,574</u>	<u>4,663,274</u>
	<u>6,036,437</u>	<u>5,840,728</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, 2017

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:

	2017			2016
	Salary	Benefits & Allowances	Total	Total
Coubrough	4,100	1,562	5,662	5,342
Challenger	3,000	1,362	4,362	5,814
Fuder D	8,510	1,850	10,360	10,850
Fuder V	4,100	1,634	5,734	6,114
Green	6,640	1,726	8,366	8,771
Langley	200	272	472	-
CAO	66,000	18,291	84,291	84,149

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, 2017

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 253,862 people and 417 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 \$19,895. Total current service contributions by the employees of the village to the Local Authorities Pension Plan during the year were \$18,219.

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 Million.

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.