

VILLAGE OF IRMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Irma:

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Village of Irma (the Entity), which comprise the consolidated statement of financial position as at December 31, 2018, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Village of Irma as at December 31, 2018, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

Brian King Professional Corporation
Chartered Professional Accountant



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 7.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 11.

M.D. of Wainwright
February 12, 2019

Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF IRMA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	1,147,381	1,227,042
Taxes and grants in place of taxes (Note 3)	52,179	51,838
Local improvement receivable	-	4,000
Trade and other receivables	90,637	64,005
Due from other governments	32,814	14,953
Inventory held for resale	366,752	366,753
Other financial assets	10,715	10,392
	<u>1,700,478</u>	<u>1,738,983</u>
LIABILITIES		
Accounts payable and accrued liabilities	70,619	51,438
Deposits held in trust	2,500	2,500
Deferred revenue (Note 5)	157,135	433,595
Long term debt (Note 6)	135,307	173,307
	<u>365,561</u>	<u>660,840</u>
NET FINANCIAL ASSETS	<u>1,334,917</u>	<u>1,078,143</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	5,113,186	4,954,574
Prepaid expenses	-	3,720
	<u>5,113,186</u>	<u>4,958,294</u>
ACCUMULATED SURPLUS (NOTE 9)	<u>6,448,103</u>	<u>6,036,437</u>

Commitments and contingencies - See Note 14

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CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (unaudited)	2018	2017
REVENUE			
Net municipal property taxes (Schedule 3)	440,400	449,650	437,900
User fees and sales of goods	295,300	320,068	336,710
Penalties and costs on taxes	7,750	12,687	11,012
Licenses and permits	500	13,147	2,428
Fines	500	77	82
Franchise and concession contracts	117,000	114,296	121,395
Investment income	2,000	8,171	5,126
Rentals	-	1,650	-
Government transfers for operating	232,509	342,513	336,034
Other	16,200	25,271	147,747
Gain on disposal of assets	-	-	11,025
	<u>1,112,159</u>	<u>1,287,530</u>	<u>1,409,459</u>
EXPENSES			
Legislative	56,100	43,130	47,936
Administration	187,500	183,072	155,625
Protective services	118,300	141,777	102,821
Transportation	232,800	161,404	162,306
Water supply and distribution	153,300	121,438	122,324
Wastewater treatment and disposal	64,500	54,412	51,228
Waste management	73,000	72,420	70,794
Public health and welfare	14,700	9,448	10,133
Planning and development	11,000	10,593	24,270
Recreation	77,400	234,794	327,546
Culture	3,750	3,751	356,427
Amortization	225,750	245,632	235,066
	<u>1,218,100</u>	<u>1,281,871</u>	<u>1,666,476</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	(105,941)	5,659	(257,017)
OTHER			
Government transfers for capital (Schedule 4)	285,000	406,007	452,726
EXCESS OF REVENUE OVER EXPENSES	179,059	411,666	195,709
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,036,437	6,036,437	5,840,728
ACCUMULATED SURPLUS, END OF YEAR	<u>6,215,496</u>	<u>6,448,103</u>	<u>6,036,437</u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (unaudited)	2018	2017
EXCESS OF REVENUE OVER EXPENSES	179,059	411,666	195,709
Acquisition of tangible capital assets	(520,100)	(404,244)	(490,366)
Proceeds on disposal of tangible capital assets	-	-	11,025
Amortization of tangible capital assets	225,750	245,632	235,066
Loss (gain) on sale of tangible capital assets	-	-	(11,025)
	(294,350)	(158,612)	(255,300)
Net (increase) decrease of prepaid assets	-	3,720	(177)
INCREASE IN NET FINANCIAL ASSETS	(115,291)	256,774	(59,768)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,078,143	1,078,143	1,137,911
NET FINANCIAL ASSETS, END OF YEAR	962,852	1,334,917	1,078,143

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	411,666	195,709
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	245,632	235,066
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	(341)	(12,456)
Decrease (increase) in local improvement receivable	4,000	4,000
Decrease (increase) in trade and other receivables	(26,632)	1,287
Decrease (increase) in due from other governments	(17,861)	(8,573)
Decrease (increase) in inventory held for resale	1	14,039
Decrease (increase) in prepaid expenses	3,720	(177)
Decrease (increase) in other financial assets	(323)	(104)
Increase (decrease) in accounts payable and accrued liabilities	19,181	151
Increase (decrease) in deferred revenue	(276,460)	(127,965)
	<u>362,583</u>	<u>289,952</u>
CAPITAL		
Acquisition of tangible capital assets	(404,244)	(490,366)
Sale of tangible capital assets	-	11,025
	<u>(404,244)</u>	<u>(479,341)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	<u>273,024</u>	<u>128,289</u>
FINANCING		
Long-term debt repaid	<u>(38,000)</u>	<u>(38,000)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	193,363	(99,100)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>801,687</u>	<u>900,787</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>995,050</u></u>	<u><u>801,687</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and temporary investments (Note 2)	1,147,381	1,227,042
Less: restricted portion of cash and temporary investments (Note 2)	<u>(152,331)</u>	<u>(425,355)</u>
	<u><u>995,050</u></u>	<u><u>801,687</u></u>

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	740,483	359,380	4,936,574	6,036,437	5,840,728
Excess of revenues over expenses	411,666	-	-	411,666	195,709
Unrestricted funds designated for future use	(135,925)	135,925	-	-	-
Restricted funds used for operations	22,386	(22,386)	-	-	-
Current year funds used for tangible capital assets	(404,244)	-	404,244	-	-
Annual amortization expense	245,632	-	(245,632)	-	-
Net change in long term debt	(18,000)	-	18,000	-	-
Change in accumulated surplus	121,515	113,539	176,612	411,666	195,709
BALANCE, END OF YEAR	861,998	472,919	5,113,186	6,448,103	6,036,437

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2018	2017
COST:								
Balance - beginning of year	154,322	6,940	1,102,670	6,006,971	526,888	246,984	8,044,775	7,581,016
Acquisition of tangible capital assets	-	-	-	378,431	25,813	-	404,244	459,871
Construction in progress	-	-	-	-	-	-	-	30,495
Disposal of tangible capital assets	-	-	-	-	-	-	-	26,607
Balance - end of year	154,322	6,940	1,102,670	6,385,402	552,701	246,984	8,449,019	8,044,775
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	5,321	305,599	2,439,001	242,615	97,665	3,090,201	2,881,742
Annual amortization	-	462	22,635	171,563	37,495	13,477	245,632	235,066
Accumulated amortization on disposals	-	-	-	-	-	-	-	26,607
Balance - end of year	-	5,783	328,234	2,610,564	280,110	111,142	3,335,833	3,090,201
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	1,157	774,436	3,774,838	272,591	135,842	5,113,186	4,954,574
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	1,619	797,071	3,567,970	284,273	149,319	4,954,574	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 3)

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	551,583	560,457	549,931
Linear property taxes	16,480	16,480	12,952
Government grants in place of property taxes	1,037	1,037	799
	<u>569,100</u>	<u>577,974</u>	<u>563,682</u>
REQUISITIONS			
Alberta School Foundation	122,000	121,692	119,094
Battle River Foundation	6,700	6,632	6,688
	<u>128,700</u>	<u>128,324</u>	<u>125,782</u>
NET MUNICIPAL TAXES	<u>440,400</u>	<u>449,650</u>	<u>437,900</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 4)

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial Government	141,900	92,100	88,837
Local Governments	90,609	250,413	247,197
	<u>232,509</u>	<u>342,513</u>	<u>336,034</u>
TRANSFERS FOR CAPITAL			
Federal Government	50,000	50,000	50,000
Provincial Government	235,000	291,154	197,387
Local Governments	-	64,853	205,339
	<u>285,000</u>	<u>406,007</u>	<u>452,726</u>
TOTAL GOVERNMENT TRANSFERS	<u>517,509</u>	<u>748,520</u>	<u>788,760</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 5)

	Budget (Unaudited)	2018	2017
Expenditures			
Salaries, wages and benefits	440,050	378,937	344,942
Contracted and general services	303,300	280,636	255,307
Purchases from other governments	3,600	1,000	2,749
Materials, goods and utilities	163,800	138,772	133,098
Transfers to local boards and agencies	67,750	224,254	682,675
Transfers to individuals and agencies	5,000	5,000	5,500
Bank charges and short term interest	500	365	130
Interest on operating long term debt	6,000	5,593	5,076
Interest on capital long term debt	500	87	687
Other expenditures	1,850	1,595	1,246
Amortization of tangible capital assets	225,750	245,632	235,066
	<u>1,218,100</u>	<u>1,281,871</u>	<u>1,666,476</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2018 (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)	449,650	-	-	-	-	-	-	449,650
User fees and sales of goods	1,164	26,744	3,627	285,933	2,600	-	-	320,068
Penalties and costs on taxes	8,005	-	-	4,682	-	-	-	12,687
Licenses and permits	12,877	220	-	-	-	50	-	13,147
Fines	77	-	-	-	-	-	-	77
Franchise and concession contracts	114,296	-	-	-	-	-	-	114,296
Investment income	8,171	-	-	-	-	-	-	8,171
Rentals	-	-	-	-	-	1,650	-	1,650
Government transfers	76,084	53,673	1,656	14,205	-	-	196,895	342,513
Other	9,276	5,493	-	-	3,665	-	6,837	25,271
	<u>679,600</u>	<u>86,130</u>	<u>5,283</u>	<u>304,820</u>	<u>6,265</u>	<u>1,700</u>	<u>203,732</u>	<u>1,287,530</u>
EXPENSES								
Salaries, wages and benefits	100,445	46,773	64,619	152,295	2,121	-	12,684	378,937
Contracted and general services	115,803	50,997	30,973	73,345	1,091	-	8,427	280,636
Purchases from other governments	-	1,000	-	-	-	-	-	1,000
Materials, goods and utilities	8,431	38,789	65,175	22,823	2,341	-	1,213	138,772
Transfers to local boards and agencies	871	3,334	-	-	3,828	-	216,221	224,254
Transfers to individuals and agencies	-	-	-	-	-	5,000	-	5,000
Bank charges and short term interest	365	-	-	-	-	-	-	365
Interest on operating long term debt	-	-	-	-	-	5,593	-	5,593
Interest on capital long term debt	-	-	87	-	-	-	-	87
Other expenditures	287	884	-	357	67	-	-	1,595
	<u>226,202</u>	<u>141,777</u>	<u>160,854</u>	<u>248,820</u>	<u>9,448</u>	<u>10,593</u>	<u>238,545</u>	<u>1,036,239</u>
NET REVENUE, BEFORE AMORTIZATION	<u>453,398</u>	<u>(55,647)</u>	<u>(155,571)</u>	<u>56,000</u>	<u>(3,183)</u>	<u>(8,893)</u>	<u>(34,813)</u>	<u>251,291</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	848	40,921	143,246	59,066	697	-	854	245,632
NET REVENUE	<u>452,550</u>	<u>(96,568)</u>	<u>(298,817)</u>	<u>(3,066)</u>	<u>(3,880)</u>	<u>(8,893)</u>	<u>(35,667)</u>	<u>5,659</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018

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, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

i) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

j) 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2018</u>	<u>2017</u>
Included in cash and temporary investments are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 5)		
Alberta Community Partnership	45,678	292,817
Municipal Sustainability Initiative - capital	81,506	117,538
MD of Wainwright	25,147	15,000
	<u>152,331</u>	<u>425,355</u>
Included in cash and temporary investments are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)		
	472,919	359,380
Total restricted cash and temporary investments	<u>625,250</u>	<u>784,735</u>
Total un-restricted cash and temporary investments	<u>522,131</u>	<u>442,307</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	23,675	29,569
Arrears taxes	13,504	7,269
Property held by the village as a result of tax forfeiture	26,541	26,541
	<u>63,720</u>	<u>63,379</u>
Less: allowance for doubtful accounts	11,541	11,541
	<u>52,179</u>	<u>51,838</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>2018</u>	<u>2017</u>
Alberta Community Partnership	45,678	292,817
Municipal Sustainability Initiative - capital	81,506	117,538
MD of Wainwright	25,147	15,000
Prepaid property taxes	4,804	8,240
	<u>157,135</u>	<u>433,595</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

6. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Operating		
Encompass Credit Union	<u>135,307</u>	<u>155,307</u>
Capital		
Encompass Credit Union	<u>-</u>	<u>18,000</u>
	<u>135,307</u>	<u>173,307</u>

Principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	20,000	5,345	25,345
2020	20,000	4,555	24,555
2021	20,000	3,765	23,765
2022	20,000	2,975	22,975
2023	20,000	2,185	22,185
Thereafter	<u>35,307</u>	<u>1,999</u>	<u>37,306</u>
	<u>135,307</u>	<u>20,824</u>	<u>156,131</u>

Operating debt repayable to the Encompass Credit Union bears interest at Prime and matures in 2019 and is secured by a mortgage on land.

The village's total cash payments for interest in 2018 were \$5,447 (2017 - \$6,046).

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>2018</u>	<u>2017</u>
Total debt limit	<u>1,931,295</u>	<u>2,114,189</u>
Total debt	<u>135,307</u>	<u>173,307</u>
Surplus debt limit	<u>1,795,988</u>	<u>1,940,882</u>
Debt servicing limit	<u>321,883</u>	<u>352,365</u>
Debt servicing	<u>25,345</u>	<u>43,546</u>
Surplus debt servicing	<u>296,538</u>	<u>308,819</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.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	8,449,019	8,044,775
Accumulated amortization (Schedule 2)	(3,335,833)	(3,090,201)
Long-term debt (Note 6)	-	(18,000)
	<u>5,113,186</u>	<u>4,936,574</u>

9. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	<u>861,998</u>	<u>740,483</u>
Restricted surplus		
General capital	120,000	-
Fire & rescue department	107,459	129,845
Water system	203,354	188,073
Cemetery	42,106	41,462
	<u>472,919</u>	<u>359,380</u>
Equity in tangible capital assets	<u>5,113,186</u>	<u>4,936,574</u>
	<u>6,448,103</u>	<u>6,036,437</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, 2018

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:

	2018			2017
	Salary	Benefits & Allowances	Total	Total
Coubrough	5,300	1,604	6,904	5,662
Challenger	-	-	-	4,362
Fuder D	8,350	1,808	10,158	10,360
Fuder V	3,700	1,903	5,603	5,734
Green	6,000	1,713	7,713	8,366
Langley	4,000	1,604	5,604	472
CAO	75,000	19,136	94,136	84,291
Designated officer (1)	7,984	-	7,984	7,820

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.

13. CONTAMINATED SITES LIABILITY

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2018 (2017 – nil) as a result of this standard.

14. COMMITMENTS

The village is committed to make monthly payments of \$1,883 for the next 27 months in relation to the municipal software changeover and installation.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

15. 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.

16. 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 259,714 people and 420 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 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the village to the LAPP during the year were \$20,533. Total current service contributions by the employees of the village to the Local Authorities Pension Plan during the year were \$18,685.

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.835 Billion.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.