

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2019</u>	<u>2018</u>
Current taxes and grants in place of taxes	17,320	23,675
Arrears taxes	10,141	13,504
Property held by the village as a result of tax forfeiture	26,541	26,541
	54,002	63,720
Less: allowance for doubtful accounts	11,541	11,541
	42,461	52,179

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>2019</u>	<u>2018</u>
Alberta Community Partnership	16,141	45,678
Municipal Sustainability Initiative - capital	-	81,506
MD of Wainwright	-	25,147
Prepaid property taxes	4,422	4,804
	20,563	157,135

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6. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
Operating		
Encompass Credit Union	<u>-</u>	<u>135,307</u>
	<u>-</u>	<u>135,307</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 2019 were \$644 (2018 - \$5,447).

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>2019</u>	<u>2018</u>
Total debt limit	<u>2,273,781</u>	<u>2,114,189</u>
Total debt	<u>-</u>	<u>135,307</u>
Surplus debt limit	<u>2,273,781</u>	<u>1,978,882</u>
Debt servicing limit	<u>378,964</u>	<u>352,365</u>
Debt servicing	<u>25,345</u>	<u>25,345</u>
Surplus debt servicing	<u>353,619</u>	<u>327,020</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.

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8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	9,059,706	8,449,019
Accumulated amortization (Schedule 2)	<u>(3,591,609)</u>	<u>(3,335,833)</u>
	<u>5,468,097</u>	<u>5,113,186</u>

9. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	<u>1,014,395</u>	<u>861,998</u>
Restricted surplus		
General capital	120,000	120,000
Fire & rescue department	109,996	107,459
Water system	218,759	203,354
Cemetery	<u>44,754</u>	<u>42,106</u>
	<u>493,509</u>	<u>472,919</u>
Equity in tangible capital assets	<u>5,468,097</u>	<u>5,113,186</u>
	<u>6,976,001</u>	<u>6,448,103</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)

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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:

	2019			2018
	Salary	Benefits & Allowances	Total	Total
Coubrough	8,125	554	8,679	6,904
Fuder D	11,375	886	12,261	10,158
Fuder V	4,312	166	4,478	5,603
Green	9,375	682	10,057	7,713
Langley	4,875	223	5,098	5,604
CAO Loonen	48,219	12,150	60,369	94,136
CAO Brown	15,104	3,223	18,327	-
Designated officer (1)	8,152	-	8,152	7,984

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 2019 (2018 – nil) as a result of this standard.

14. COMMITMENTS

The village is committed to make monthly payments of \$1,883 for the next 15 months in relation to the municipal software changeover and installation.

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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 265,813 people and 421 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the village to the LAPP during the year were \$17,971. Total current service contributions by the employees of the village to the Local Authorities Pension Plan during the year were \$16,190.

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.5 Billion.

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.