

VILLAGE OF IRMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

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, 2021, 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, 2021, 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:

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- 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 6.
- 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 10.

M.D. of Wainwright

March 29, 2022



Brian King Professional Corporation

Chartered Professional Accountant

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	2,050,486	1,421,021
Taxes and grants in place of taxes (Note 3)	64,602	40,538
Trade and other receivables	130,427	70,872
Due from other governments	241,355	270,260
Inventory held for resale	327,361	353,059
Other financial assets	11,565	11,254
	<u>2,825,796</u>	<u>2,167,004</u>
LIABILITIES		
Accounts payable and accrued liabilities	63,504	39,443
Deposits held in trust	2,500	2,500
Deferred revenue (Note 5)	776,181	360,405
	<u>842,185</u>	<u>402,348</u>
NET FINANCIAL ASSETS	<u>1,983,611</u>	<u>1,764,656</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	<u>5,089,340</u>	<u>5,333,076</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>7,072,951</u>	<u>7,097,732</u>

Commitments and contingencies - See Note 11

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CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020
REVENUE			
Net municipal property taxes (Schedule 3)	483,895	477,264	460,699
User fees and sales of goods	329,300	383,324	324,951
Penalties and costs on taxes	5,000	8,513	10,049
Licenses and permits	-	1,140	120
Fines	500	-	-
Franchise and concession contracts	120,000	126,020	121,846
Investment income	3,500	327	7,009
Rentals	15,600	200	930
Government transfers for operating	394,300	412,096	366,932
Other	20,255	24,678	123,566
Gain on disposal of assets	-	-	4,948
	<u>1,372,350</u>	<u>1,433,562</u>	<u>1,421,050</u>
EXPENSES			
Legislative	54,500	49,147	32,429
Administration	406,700	197,930	145,859
Protective services	170,450	195,031	130,102
Transportation	274,740	217,689	177,761
Water supply and distribution	129,400	92,244	117,095
Wastewater treatment and disposal	87,600	39,269	53,618
Waste management	87,500	66,255	70,670
Public health and welfare	10,950	7,789	8,277
Planning and development	500	36,131	5,021
Recreation	66,900	308,502	333,956
Culture	4,110	4,620	2,725
Amortization	-	258,990	261,206
	<u>1,293,350</u>	<u>1,473,597</u>	<u>1,338,719</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	79,000	(40,035)	82,331
OTHER			
Government transfers for capital (Schedule 4)	<u>510,260</u>	<u>15,254</u>	<u>39,400</u>
EXCESS OF REVENUE OVER EXPENSES	589,260	(24,781)	121,731
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>7,097,732</u>	<u>7,097,732</u>	<u>6,976,001</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>7,686,992</u></u>	<u><u>7,072,951</u></u>	<u><u>7,097,732</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (unaudited)	2021	2020
EXCESS OF REVENUE OVER EXPENSES	<u>589,260</u>	<u>(24,781)</u>	<u>121,731</u>
Acquisition of tangible capital assets	(300,000)	(15,254)	(126,185)
Proceeds on disposal of tangible capital assets	-	-	4,948
Amortization of tangible capital assets	-	258,990	261,206
Loss (gain) on sale of tangible capital assets	-	-	(4,948)
	<u>(300,000)</u>	<u>243,736</u>	<u>135,021</u>
INCREASE IN NET FINANCIAL ASSETS	289,260	218,955	256,752
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,764,656</u>	<u>1,764,656</u>	<u>1,507,904</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>2,053,916</u></u>	<u><u>1,983,611</u></u>	<u><u>1,764,656</u></u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	(24,781)	121,731
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	258,990	261,206
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(24,064)	1,923
Decrease (increase) in trade and other receivables	(59,555)	9,249
Decrease (increase) in due from other governments	28,905	77,773
Decrease (increase) in inventory held for resale	25,698	-
Decrease (increase) in other financial assets	(311)	(255)
Increase (decrease) in accounts payable and accrued liabilities	24,061	(94,821)
Increase (decrease) in deferred revenue	415,776	339,842
	<u>644,719</u>	<u>711,700</u>
CAPITAL		
Acquisition of tangible capital assets	(15,254)	(126,185)
Sale of tangible capital assets	-	4,948
	<u>(15,254)</u>	<u>(121,237)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(440,453)	(89,825)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	189,012	500,638
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,315,055	814,417
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,504,067</u>	<u>1,315,055</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and temporary investments (Note 2)	2,050,486	1,421,021
Less: restricted portion of cash and temporary investments (Note 2)	(546,419)	(105,966)
	<u>1,504,067</u>	<u>1,315,055</u>

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF YEAR	<u>1,262,470</u>	<u>502,186</u>	<u>5,333,076</u>	<u>7,097,732</u>	<u>6,976,001</u>
Excess of revenues over expenses	(24,781)	-	-	(24,781)	121,731
Unrestricted funds designated for future use	(16,261)	16,261	-	-	-
Restricted funds used for operations	23,056	(23,056)	-	-	-
Current year funds used for tangible capital assets	(15,254)	-	15,254	-	-
Annual amortization expense	258,990	-	(258,990)	-	-
Change in accumulated surplus	<u>225,750</u>	<u>(6,795)</u>	<u>(243,736)</u>	<u>(24,781)</u>	<u>121,731</u>
BALANCE, END OF YEAR	<u>1,488,220</u>	<u>495,391</u>	<u>5,089,340</u>	<u>7,072,951</u>	<u>7,097,732</u>

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2021	2020
COST:								
Balance - beginning of year	154,322	6,940	1,102,670	6,962,291	702,251	246,984	9,175,458	9,059,706
Acquisition of tangible capital assets	-	-	-	-	-	-	-	126,185
Construction in progress	-	-	-	15,254	-	-	15,254	-
Disposal of tangible capital assets	-	-	-	-	-	-	-	(10,433)
Balance - end of year	154,322	6,940	1,102,670	6,977,545	702,251	246,984	9,190,712	9,175,458
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	6,708	373,505	2,973,424	351,588	137,157	3,842,382	3,591,609
Annual amortization	-	232	22,635	177,290	45,983	12,850	258,990	261,206
Accumulated amortization on disposals	-	-	-	-	-	-	-	(10,433)
Balance - end of year	-	6,940	396,140	3,150,714	397,571	150,007	4,101,372	3,842,382
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	-	706,530	3,826,831	304,680	96,977	5,089,340	5,333,076
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	154,322	232	729,165	3,988,867	350,663	109,827	5,333,076	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 3)

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	596,211	580,727	566,688
Linear property taxes	24,248	24,248	23,151
Government grants in place of property taxes	1,036	1,036	1,036
	<u>621,495</u>	<u>606,011</u>	<u>590,875</u>
REQUISITIONS			
Alberta School Foundation	130,000	121,885	123,395
Battle River Foundation	7,500	6,781	6,781
Designated Industrial Levy	100	81	-
	<u>137,600</u>	<u>128,747</u>	<u>130,176</u>
NET MUNICIPAL TAXES	<u>483,895</u>	<u>477,264</u>	<u>460,699</u>

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CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 4)

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Federal Government	-	-	10,784
Provincial Government	236,650	44,345	100,927
Local Governments	157,650	367,751	255,221
	<u>394,300</u>	<u>412,096</u>	<u>366,932</u>
TRANSFERS FOR CAPITAL			
Federal Government	50,000	-	-
Provincial Government	435,260	15,254	-
Local Governments	25,000	-	39,400
	<u>510,260</u>	<u>15,254</u>	<u>39,400</u>
TOTAL GOVERNMENT TRANSFERS	<u>904,560</u>	<u>427,350</u>	<u>406,332</u>

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CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2021 (Schedule 5)

	2021	2020
Expenditures		
Salaries, wages and benefits	406,087	338,055
Contracted and general services	276,888	240,377
Purchases from other governments	3,911	4,555
Materials, goods and utilities	202,596	151,331
Transfers to other governments	9,286	-
Transfers to local boards and agencies	301,808	330,604
Transfers to individuals and agencies	3,500	5,000
Bank charges and short term interest	20	-
Other expenditures	10,511	7,591
Amortization of tangible capital assets	258,990	261,206
	<u>1,473,597</u>	<u>1,338,719</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2021 (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)	477,264	-	-	-	-	-	-	477,264
User fees and sales of goods	-	9,086	2,900	299,988	1,350	70,000	-	383,324
Penalties and costs on taxes	4,104	-	-	4,409	-	-	-	8,513
Licenses and permits	-	30	-	-	-	1,110	-	1,140
Franchise and concession contracts	126,020	-	-	-	-	-	-	126,020
Investment income	327	-	-	-	-	-	-	327
Government transfers	44,345	93,280	-	3,520	-	-	270,951	412,096
Other	3,569	5,985	6,535	-	2,948	-	5,641	24,678
	<u>655,829</u>	<u>108,381</u>	<u>9,435</u>	<u>307,917</u>	<u>4,298</u>	<u>71,110</u>	<u>276,592</u>	<u>1,433,562</u>
EXPENSES								
Salaries, wages and benefits	140,629	36,550	120,018	94,626	2,094	-	12,170	406,087
Contracted and general services	78,253	92,359	25,859	76,666	410	1,278	2,063	276,888
Purchases from other governments	-	3,911	-	-	-	-	-	3,911
Materials, goods and utilities	26,442	44,246	70,417	27,709	861	31,353	1,568	202,596
Transfers to other governments	-	9,286	-	-	-	-	-	9,286
Transfers to local boards and agencies	-	2,813	-	-	4,424	-	294,571	301,808
Transfers to individuals and agencies	-	-	-	-	-	3,500	-	3,500
Bank charges and short term interest	-	-	-	-	-	-	-	20
Other expenditures	20	-	-	-	-	-	-	20
	<u>1,733</u>	<u>5,866</u>	<u>132</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>2,750</u>	<u>10,511</u>
	<u>247,077</u>	<u>195,031</u>	<u>216,426</u>	<u>199,031</u>	<u>7,789</u>	<u>36,131</u>	<u>313,122</u>	<u>1,214,607</u>
NET REVENUE, BEFORE AMORTIZATION	<u>408,752</u>	<u>(86,650)</u>	<u>(206,991)</u>	<u>108,886</u>	<u>(3,491)</u>	<u>34,979</u>	<u>(36,530)</u>	<u>218,955</u>
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	848	47,269	142,737	67,439	697	-	-	258,990
	<u>407,904</u>	<u>(133,919)</u>	<u>(349,728)</u>	<u>41,447</u>	<u>(4,188)</u>	<u>34,979</u>	<u>(36,530)</u>	<u>(40,035)</u>
NET REVENUE								

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

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 these 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, 2021

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.

k) 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, 2021

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>2021</u>	<u>2020</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)		
Municipal Sustainability Initiative - capital	199,352	-
Municipal Stimulus Program	46,677	30,966
Canada Community Building Fund	150,390	-
MD of Wainwright	150,000	75,000
	<u>546,419</u>	<u>105,966</u>
Included in cash and temporary investments are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 9)	495,391	502,186
Total restricted cash and temporary investments	<u>1,041,810</u>	<u>608,152</u>
Total un-restricted cash and temporary investments	<u>1,008,676</u>	<u>812,869</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2021</u>	<u>2020</u>
Current taxes and grants in place of taxes	36,870	22,469
Arrears taxes	12,732	3,069
Property held by the village as a result of tax forfeiture	26,541	26,541
	<u>76,143</u>	<u>52,079</u>
Less: allowance for doubtful accounts	11,541	11,541
	<u>64,602</u>	<u>40,538</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>2021</u>	<u>2020</u>
Municipal Sustainability Initiative - capital	420,950	198,185
Municipal Stimulus Program	46,677	30,966
Canada Community Building Fund	150,390	50,000
MD of Wainwright	150,000	75,000
Prepaid property taxes	8,164	6,254
	<u>776,181</u>	<u>360,405</u>

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

6. 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:

	2021	2020
Total debt limit	<u>2,150,343</u>	<u>2,131,575</u>
Total debt	-	-
Surplus debt limit	<u>2,150,343</u>	<u>2,131,575</u>
Debt servicing limit	358,391	355,263
Debt servicing	-	-
Surplus debt servicing	<u>358,391</u>	<u>355,263</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, 2021

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 2)	9,190,712	9,175,458
Accumulated amortization (Schedule 2)	<u>(4,101,372)</u>	<u>(3,842,382)</u>
	<u>5,089,340</u>	<u>5,333,076</u>

8. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	<u>1,488,220</u>	<u>1,262,470</u>
Restricted surplus		
General capital	120,000	120,000
Fire & rescue department	78,955	102,011
Water system	249,385	234,057
Cemetery	<u>47,051</u>	<u>46,118</u>
	<u>495,391</u>	<u>502,186</u>
Equity in tangible capital assets	<u>5,089,340</u>	<u>5,333,076</u>
	<u>7,072,951</u>	<u>7,097,732</u>

9. 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, 2021

10. 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:

	2021			2020
	Salary	Benefits & Allowances	Total	Total
Coubrough	4,750	-	4,750	8,125
Fuder	-	-	-	63
Firkus	8,000	246	8,246	5,868
Green	7,878	238	8,116	10,736
Langley	4,500	88	4,588	6,789
Larson	5,388	103	5,491	-
Nissen	1,625	-	1,625	-
Parsons	1,375	-	1,375	-
Schubada	875	-	875	-
Soucy	1,250	-	1,250	-
CAO Brown	-	-	-	28,746
CAO Liebenberg	68,000	15,407	83,407	23,210
Designated officer (1)	8,487	-	8,487	8,320

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.

11. 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.

12. CONTAMINATED SITES LIABILITY

The village has adopted PS3260 Liability for Contaminated Sites. The village did not identify any financial liabilities in 2021 (2020 – nil) as a result of this standard.

VILLAGE OF IRMA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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 275,151 people and 433 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 9.4% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.3% on pensionable earnings above this amount. Employees of the village are required to make current service contributions of 8.4% of pensionable salary up to the year's maximum pensionable salary and 11.3% on pensionable salary above this amount.

Total current service contributions by the village to the LAPP during the year were \$16,620. Total current service contributions by the employees of the village to the Local Authorities Pension Plan during the year were \$14,966.

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 Billion.

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.