

**VILLAGE OF INNISFREE**  
**Financial Statements**  
**For The Year Ended December 31, 2019**



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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The elected Mayor and Council of the Village of Innisfree are composed entirely of individuals who are neither management nor employees of the Village. The Mayor and Council have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Mayor and Council are also responsible for the appointment of the Village's external auditors.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the Village's Council to express an opinion on the Village's financial statements and report directly to them. The external auditors have full and free access to and meet periodically and separately with both the Mayor and Council and management to discuss their audit findings.



Ms. Brooke Magosse  
Chief Administrative Officer

Innisfree, Alberta  
September 15, 2020

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## INDEPENDENT AUDITORS' REPORT

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To the Mayor and Council of the Village of Innisfree

### *Qualified Opinion*

We have audited the financial statements of Village of Innisfree (the "Village"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Village as at December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Basis for Qualified Opinion*

The Village derives revenue from user fee charges for the use of recreational facilities. The completeness of the revenue is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Village. Therefore, we were not able to determine whether any adjustments might be necessary to sales and user charges, annual surplus (deficit), and cash flows from operations for the year ended December 31, 2019, financial assets and accumulated surplus as at December 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Village in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Other Matter*

The financial statements for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 9, 2019.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 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 Village'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 liquidate the Village or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Village's financial reporting process.

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*Auditors' Responsibilities for the Audit of the Financial Statements*

Our 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 auditors' report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 our 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 Village'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 Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village 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.

We 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 we identify during our audit.

**METRIX GROUP LLP**

Chartered Professional Accountants

Edmonton, Alberta  
September 15, 2020

VILLAGE OF INNISFREE  
Statement of Financial Position  
As at December 31, 2019

	2019	2018 (Restated) (Note 17)
<b>FINANCIAL ASSETS</b>		
Cash	\$ 272,975	\$ 393,746
Taxes and grants in place of taxes receivable (Note 2)	155,685	153,795
Trade and other receivables	63,475	55,462
Due from other governments (Note 3)	636,171	447,907
Other financial assets	20	20
	<u>1,128,326</u>	<u>1,050,930</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	57,422	121,960
Deferred revenue (Note 5)	568,675	357,769
Landfill closure and post-closure costs (Note 6)	97,549	140,331
	<u>723,646</u>	<u>620,060</u>
<b>NET FINANCIAL ASSETS</b>	<u>404,680</u>	<u>430,870</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Schedule 3)	3,371,127	3,513,277
Prepaid expenses	565	5,913
	<u>3,371,692</u>	<u>3,519,190</u>
<b>ACCUMULATED SURPLUS (Note 8)</b>	<u>\$ 3,776,372</u>	<u>\$ 3,950,060</u>
CONTINGENT LIABILITY (Note 10)		
COMMITMENT (Note 11)		
SUBSEQUENT EVENT (Note 12)		

ON BEHALF OF COUNCIL

 Councillor

 Councillor

**VILLAGE OF INNISFREE**  
**Statement of Operations and Accumulated Surplus**  
**For the Year Ended December 31, 2019**

	2019 (Budget) (Note 15)	<b>2019 (Actual)</b>	2018 (Restated) (Note 17)
<b>REVENUES</b>			
Net municipal taxes <i>(Schedule 1)</i>	\$ 249,268	\$ <b>250,389</b>	\$ 245,115
Sales and user charges	248,875	<b>231,673</b>	230,401
Government transfers for operating <i>(Schedule 2)</i>	92,106	<b>100,040</b>	83,899
Franchise and concession contracts <i>(Note 9)</i>	40,000	<b>38,649</b>	37,277
Penalties and costs on taxes	17,975	<b>29,324</b>	35,681
Other	1,850	<b>10,978</b>	22,978
Rentals	5,100	<b>6,191</b>	6,955
Investment income	3,000	<b>2,579</b>	4,339
	<u>658,174</u>	<u><b>669,823</b></u>	<u>666,645</u>
<b>EXPENSES</b>			
Transportation	189,580	<b>283,923</b>	165,917
Administration	150,130	<b>205,562</b>	223,219
Water supply and distribution	180,340	<b>159,374</b>	155,643
Waste water treatment and disposal	54,875	<b>73,548</b>	77,340
Protective services	40,585	<b>54,049</b>	41,834
Recreation	31,035	<b>39,803</b>	36,706
Planning and development	500	<b>15,580</b>	-
Waste management	43,875	<b>12,083</b>	50,620
Legislative	17,770	<b>11,422</b>	13,235
Culture	4,925	<b>8,605</b>	11,558
Family and community support	2,100	<b>1,838</b>	3,680
	<u>715,715</u>	<u><b>865,787</b></u>	<u>779,752</u>
<b>ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME</b>	<u>(57,541)</u>	<u><b>(195,964)</b></u>	<u>(113,107)</u>
<b>OTHER INCOME</b>			
Government transfers for capital <i>(Schedule 2)</i>	-	<b>20,000</b>	147,290
Gain on disposal of tangible capital assets	-	<b>2,276</b>	-
Impairment of tangible capital assets	-	-	(7,500)
	<u>-</u>	<u><b>22,276</b></u>	<u>139,790</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>(57,541)</u>	<u><b>(173,688)</b></u>	<u>26,683</u>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR</b>	<u>3,934,474</u>	<u><b>3,934,474</b></u>	<u>3,907,975</u>
Restatement <i>(Note 17)</i>	<u>15,586</u>	<u><b>15,586</b></u>	<u>15,402</u>
<b>ACCUMULATED SURPLUS - BEGINNING OF YEAR, AS RESTATED</b>	<u>3,950,060</u>	<u><b>3,950,060</b></u>	<u>3,923,377</u>
<b>ACCUMULATED SURPLUS - END OF YEAR <i>(Note 8)</i></b>	<u>\$ 3,892,519</u>	<u><b>\$ 3,776,372</b></u>	<u>\$ 3,950,060</u>

**VILLAGE OF INNISFREE**  
**Statement of Changes in Net Financial Assets**  
**For the Year Ended December 31, 2019**

	2019 (Budget) (Note 15)	<b>2019 (Actual)</b>	2018 (Restated) (Note 17)
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ (57,541)	\$ <b>(173,688)</b>	\$ 26,683
Amortization of tangible capital assets	119,140	<b>160,750</b>	155,720
Purchase of tangible capital assets	(393,061)	<b>(20,000)</b>	(147,290)
Proceeds on disposal of tangible capital assets	-	<b>3,676</b>	-
Gains on disposal of tangible capital assets	-	<b>(2,276)</b>	-
Impairment of tangible capital assets	-	-	7,500
	(273,921)	<b>142,150</b>	15,930
(Acquisition) use of prepaid expenses	-	<b>5,348</b>	(869)
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(331,462)	<b>(26,190)</b>	41,744
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	430,871	<b>430,870</b>	389,126
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	<u>\$ 99,409</u>	<u>\$ <b>404,680</b></u>	<u>\$ 430,870</u>

**VILLAGE OF INNISFREE**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

	2019	2018 (Restated) (Note 17)
<b>OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ (173,688)	\$ 26,683
Items not affecting cash:		
Amortization of tangible capital assets	160,750	155,720
Gain on disposal of tangible capital assets	(2,276)	-
Impairment of tangible capital assets	-	7,500
	<u>(15,214)</u>	<u>189,903</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	(1,890)	15,107
Trade and other receivables	(8,013)	(12,461)
Due from other governments	(188,264)	(115,899)
Prepaid expenses	5,348	(869)
Accounts payable and accrued liabilities	(64,538)	81,089
Deferred revenue	210,906	61,038
Landfill closure and post-closure costs	(42,782)	-
	<u>(89,233)</u>	<u>28,005</u>
	<u>(104,447)</u>	<u>217,908</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(20,000)	(147,290)
Proceeds on disposal of tangible capital assets	3,676	-
	<u>(16,324)</u>	<u>(147,290)</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>(120,771)</b>	<b>70,618</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>393,746</b>	<b>323,128</b>
<b>CASH - END OF YEAR</b>	<b>\$ 272,975</b>	<b>\$ 393,746</b>



**VILLAGE OF INNISFREE**  
**Schedule of Property Taxes Levied**  
**For the Year Ended December 31, 2019**

**(Schedule 1)**

	2019 (Budget) (Note 15)	<b>2019 (Actual)</b>	2018 (Restated) (Note 17)
<b>TAXATION</b>			
Real property taxes	\$ 286,840	\$ <b>261,363</b>	\$ 259,448
Linear property taxes	-	<b>26,753</b>	23,852
Government grants in place of property taxes	-	<b>881</b>	840
	<u>286,840</u>	<u><b>288,997</b></u>	<u>284,140</u>
<b>REQUISITIONS</b>			
Alberta school foundation	35,684	<b>36,632</b>	37,089
M.D. of Minburn foundation	1,888	<b>1,889</b>	1,898
Designated industrial properties	-	<b>87</b>	38
	<u>37,572</u>	<u><b>38,608</b></u>	<u>39,025</u>
<b>NET MUNICIPAL TAXES</b>	<u>\$ 249,268</u>	<u>\$ <b>250,389</b></u>	<u>\$ 245,115</u>

**VILLAGE OF INNISFREE**  
**Schedule of Government Transfers**  
**For the Year Ended December 31, 2019**

**(Schedule 2)**

	2019 (Budget) (Note 15)	<b>2019 (Actual)</b>	2018 (Restated) (Note 17)
<b>TRANSFER FOR OPERATING</b>			
Provincial government	\$ 40,311	\$ <b>59,127</b>	\$ 40,343
Local governments	40,120	<b>34,793</b>	42,053
Federal government	11,675	<b>6,120</b>	1,503
	92,106	<b>100,040</b>	83,899
<b>TRANSFER FOR CAPITAL</b>			
Provincial government	-	<b>20,000</b>	147,290
<b>TOTAL GOVERNMENT TRANSFERS</b>	<b>\$ 92,106</b>	<b>\$ 120,040</b>	<b>\$ 231,189</b>

**VILLAGE OF INNISFREE**  
**Schedule of Tangible Capital Assets**  
**For the Year Ended December 31, 2019**

**(Schedule 3)**

	Land	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Construction in Progress	2019	2018 (Restated) (Note 17)
<b>Cost</b>								
Balance, beginning of year	\$ 113,628	\$ 659,313	\$ 336,436	\$ 140,200	\$ 5,665,512	\$ 147,290	\$ 7,062,379	\$ 6,915,089
Additions	-	-	-	20,000	-	-	20,000	147,290
Disposals	-	-	-	(28,500)	-	-	(28,500)	-
Transfers	-	-	-	-	147,290	(147,290)	-	-
<b>Balance, end of year</b>	<b>\$ 113,628</b>	<b>\$ 659,313</b>	<b>\$ 336,436</b>	<b>\$ 131,700</b>	<b>\$ 5,812,802</b>	<b>\$ -</b>	<b>\$ 7,053,879</b>	<b>\$ 7,062,379</b>
<b>Accumulated Amortization</b>								
Balance, beginning of year	\$ -	\$ 210,656	\$ 209,315	\$ 83,493	\$ 3,045,638	\$ -	\$ 3,549,102	\$ 3,385,882
Amortization	-	13,190	19,354	8,188	120,018	-	160,750	155,720
Disposals	-	-	-	(27,100)	-	-	(27,100)	-
Impairment	-	-	-	-	-	-	-	7,500
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ 223,846</b>	<b>\$ 228,669</b>	<b>\$ 64,581</b>	<b>\$ 3,165,656</b>	<b>\$ -</b>	<b>\$ 3,682,752</b>	<b>\$ 3,549,102</b>
<b>Net Book Value</b>	<b>\$ 113,628</b>	<b>\$ 435,467</b>	<b>\$ 107,767</b>	<b>\$ 67,119</b>	<b>\$ 2,647,146</b>	<b>\$ -</b>	<b>\$ 3,371,127</b>	<b>\$ 3,513,277</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF INNISFREE****Schedule of Equity in Tangible Capital Assets****(Schedule 4)****For the Year Ended December 31, 2019**

	<b>2019</b>	2018 (Restated) (Note 17)
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$ 3,513,277</b>	\$ 3,529,207
Amortization of tangible capital assets	<b>(160,750)</b>	(155,720)
Acquisition of tangible capital assets	<b>20,000</b>	147,290
Net book value of tangible capital assets disposed of	<b>(1,400)</b>	-
Impairment of tangible capital assets	<b>-</b>	(7,500)
<b>BALANCE, END OF YEAR</b>	<b>\$ 3,371,127</b>	\$ 3,513,277
Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	<b>\$ 3,371,127</b>	\$ 3,513,277

**VILLAGE OF INNISFREE**  
**Schedule of Segmented Disclosure**  
**For the Year Ended December 31, 2019**

**(Schedule 5)**

	General Government	Protective Services	Transportation	Public Utilities	Planning & Development and Public Health	Recreation & Culture	2019	2018 (Restated) (Note 17)
<b>REVENUE</b>								
Net municipal taxes	\$ 250,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,389	\$ 245,115
Sales and user charges	917	-	4,914	201,672	-	24,170	231,673	230,401
Government transfers	61,232	34,793	2,100	-	20,000	1,915	120,040	231,189
Franchise and concession contracts	38,649	-	-	-	-	-	38,649	37,277
Penalties and costs on taxes	26,880	-	-	2,444	-	-	29,324	35,681
Other revenues	9,868	985	-	-	125	-	10,978	22,978
Rentals	6,191	-	-	-	-	-	6,191	6,955
Investment income	2,579	-	-	-	-	-	2,579	4,339
	396,705	35,778	7,014	204,116	20,125	26,085	689,823	813,935
<b>EXPENSES</b>								
Contracted services	123,122	16,467	127,698	25,299	15,580	12,154	320,320	234,621
Materials, goods and supplies	12,155	12,956	82,192	76,847	-	16,296	200,446	210,075
Salaries, wages and benefits	73,969	20,691	29,029	40,917	-	4,614	169,220	154,657
Provision for allowance	3,389	-	-	-	-	-	3,389	15,410
Transfers to local boards and agencies	1,212	1,427	-	-	1,838	4,648	9,125	6,643
Other expenses	2,537	-	-	-	-	-	2,537	2,627
	216,384	51,541	238,919	143,063	17,418	37,712	705,037	624,033
<b>OTHER INCOME</b>								
Amortization of tangible capital assets	(600)	(2,508)	(45,004)	(101,942)	-	(10,696)	(160,750)	(155,719)
Gain (loss) on disposal of tangible capital assets	-	-	2,176	-	-	100	2,276	-
Impairment of tangible capital assets	-	-	-	-	-	-	-	(7,500)
	(600)	(2,508)	(42,828)	(101,942)	-	(10,596)	(158,474)	(163,219)
<b>ANNUAL SURPLUS (DEFICIT)</b>	\$ 179,721	\$ (18,271)	\$ (274,733)	\$ (40,889)	\$ 2,707	\$ (22,223)	\$ (173,688)	\$ 26,683

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Innisfree (the "Village") are the representation of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Village are as follows.

(a) Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenses, changes in net financial position and cash flow 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 and are, therefore, accountable to Village 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.

(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.

(c) Cash

Cash consists of deposits held with a Canadian financial institution less any cheques written in excess of the bank balance.

(d) Landfill closure and post-closure liability

Pursuant to the *Environmental Enhancement and Protection Act* (Alberta), the Village is required to fund the closure of its landfill sites 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 over the estimated remaining life of the landfill sites based on usage.

The annual provision is reported as an operating expense in solid waste services and the liability is reported as a liability of the Statement of Financial Position.

(e) Tax revenue

Property tax revenue is based on market value of assessments determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Village. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition by-law.

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**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) Requisition over-levies and under-levies

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. In situations 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.

(g) 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 occurred, providing the transfers are authorized, any eligibility criteria have been met by the Village, and reasonable estimates of the amounts can be made.

(h) 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 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 asset is amortized over their estimated useful lives on a straight-line basis at the following rates:

Buildings	25 - 50 Years
Machinery and equipment	5 - 20 Years
Vehicles	3 - 20 Years
Engineered structures	
Water system	35 - 75 Years
Wastewater system	35 - 75 Years
Other engineered systems	15 - 40 Years

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Assets under construction are not amortized until the asset is available for productive use.

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**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(j) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses 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.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, landfill closure and post-closure costs, and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements

(k) Future changes in significant accounting policies

The following summarizes upcoming changes to the Canadian public sector accounting standards. The Village will continue to assess the impact and prepare for the adoption of these standards

(i) Financial statement presentation

PS 1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2022.

(ii) Foreign currency translation

PS 2601, Foreign Currency Translation, requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement dates. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard must be adopted in conjunction with PS 2601 and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

(iii) Portfolio investments

PS 3041, Portfolio Investments, has removed the distinction between temporary and portfolio investments and amended to conform to PS 3405. This standard must be adopted in conjunction with PS 1201, PS 2601, and PS 3450 and is applicable for fiscal years beginning on or after April 1, 2022.

(continues)



**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Future changes in significant accounting policies (continued)

(iv) Financial instruments

PS 3450, Financial Instruments, established recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivative and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2022.

(v) Asset retirement obligations

PS 3280, Asset Retirement Obligations, establishes standards on how to account and report for legal obligations associated with the retirement of certain tangible capital assets including solid waste landfill sites. As a result, PS 3270, Solid Waste Landfill Closure and Post-Closure Liability has been withdrawn but will remain in effect until the adoption of PS 3280. This standard is applicable for fiscal years beginning on or after April 1, 2022.

(vi) Revenue

PS 3400, Revenue, establishes standards on how to account for and report revenue differentiating between revenue arising from transactions that include performance obligations and transactions that do not. This standard is applicable to fiscal years beginning on or after April 1, 2023.

**2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE**

	<u>2019</u>	<u>2018</u>
Current receivables	\$ 73,128	\$ 76,449
Receivables in arrears	<u>106,247</u>	<u>92,290</u>
	179,375	168,739
Allowance for doubtful accounts	<u>(23,690)</u>	<u>(14,944)</u>
	<u>\$ 155,685</u>	<u>\$ 153,795</u>

**3. RECEIVABLE FROM OTHER GOVERNMENTS**

	<u>2019</u>	<u>2018</u>
Due from other governments	\$ 617,848	\$ 427,904
Goods and Services Tax recoverable	<u>18,323</u>	<u>20,003</u>
	<u>\$ 636,171</u>	<u>\$ 447,907</u>

**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**4. OPERATING LINE OF CREDIT**

The Village has access to a credit facility with ATB Financial, which includes an approved revolving operating line, (Overdraft Facility #2), that can be drawn upon to a maximum of \$120,000, which bears interest at the prime rate less 0.25% and is secured by all assets of the Village at large. As at December 31, 2019, the Village had not drawn on the operating line (2018 - \$NIL).

**5. DEFERRED REVENUE**

Deferred revenue is comprised of the following amounts, which have been received from various third parties and are restricted to the eligible operating and capital projects as approved in the funding agreements for a specified purpose. Additions are composed of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	2018	Additions	Revenue Recognized	2019
Federal Gas Tax grant	\$ 226,579	\$ 101,570	\$ -	\$ 328,149
Municipal Sustainability Initiative	114,258	130,082	20,000	224,340
Other	-	16,186	-	16,186
Federal Enabling Accessibility grant	16,932	(16,932)	-	-
	<u>\$ 357,769</u>	<u>\$ 230,906</u>	<u>\$ 20,000</u>	<u>\$ 568,675</u>

**6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY**

The Village has an operating agreement with other local municipalities in the operation of Manville landfill site. The Village is liable for 9.8% of the closure and post-closure costs of the transfer station's facilities. The landfill site has been closed and is inactive from accepting further waste.

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the sites, and ongoing environmental monitoring, sites inspections and maintenance.

The estimated total liability is based on the sum of the discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 2.71% (2018 - 1.50%) and assuming an annual inflation of 2.10% (2018 - 2.50%).

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. At December 31, 2019, approximately 100% (2018 - 100%) of the aggregate landfill capacity has been utilized.

	2019	2018
Estimated closure costs	\$ 87,330	\$ 82,727
Estimated post-closure costs	10,219	57,604
Estimated total liability	<u>97,549</u>	140,331
Percentage of liability accrued by the Village	100 %	100 %
Amount accrued by the Village	<u>97,549</u>	140,331
Estimated liability still to be accrued	<u>\$ -</u>	<u>\$ -</u>

The Village has not designated assets for setting closure and post-closure liabilities.

**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**7. DEBT LIMITS**

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits, as defined by *Alberta Regulation 255/2000*, for the Village be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 1,004,735	\$ 999,968
Total debt	-	-
Amount of debt limit unused	<u>\$ 1,004,735</u>	<u>\$ 999,968</u>
Debt servicing limit	\$ 167,456	\$ 166,661
Debt servicing	-	-
Amount of service on debt limit unused	<u>\$ 167,456</u>	<u>\$ 166,661</u>

The debt limit is calculated at 1.5 times revenue of the Village (as defined in *Alberta Regulation 255/2000*) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits 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 Village. Rather, the financial statements must be interpreted as a whole.

**8. ACCUMULATED SURPLUS**

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

	<u>2019</u>	<u>2018</u> (Restated) (Note 17)
<b>Unrestricted surplus</b>	<b>\$ 230,745</b>	<b>\$ 310,283</b>
<b>Reserves</b>		
Public works	43,500	34,000
Sewer system	41,000	31,000
General capital	33,000	14,500
Recreation	25,000	20,000
Fire	22,000	18,000
Water system	5,000	5,000
General	5,000	4,000
	<u>174,500</u>	<u>126,500</u>
<b>Equity in tangible capital assets</b>	<u><b>3,371,127</b></u>	<u><b>3,513,277</b></u>
	<u><b>\$ 3,776,372</b></u>	<u><b>\$ 3,950,060</b></u>

**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**9. FRANCHISE AND CONCESSION CONTRACTS**

Disclosure of utility franchise agreement annual revenues as required by *Alberta Regulation 313/2000* is as follows:

	<u>2019</u>		<u>2018</u>
ATCO Gas and Pipelines Ltd.	\$ 24,015	\$	20,539
ATCO Electric Ltd.	14,634		16,738
	<u>\$ 38,649</u>	\$	<u>37,277</u>

**10. CONTINGENT LIABILITY**

The Village is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of membership, the Village could become liable for its proportionate shares 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 defendant in a lawsuit arising in the normal course of operations. Management is of the opinion that the results of this action should not have any material effect on the financial position of the Village. No amounts have been accrued in these financial statements relating to this claim. Any awards or settlements will be reflected in the Statement of Operations as the matters are resolved or when sufficient information on amounts and likelihood are known.

**11. CONTRACTUAL OBLIGATIONS**

The Village is a partner in the Alberta Central East Water Corporation ("ACE") regional water system project to design and construct a water transfer and pump station, three fill stations, a truck fill station, and 246 kilometres of pipeline. The Government of Alberta is committed to fund approximately 90% of the estimated project costs as part of the Alberta Water for Life Program. The remaining 10% of costs will be distributed between the municipal partners. As of December 31, 2019, the Village's share of the remaining construction cost was estimated at \$63,393.

As the regional water system is not a Village owned asset, none of the related liabilities, funding, or expenditures are reflected in the Village's financial statement except for the Village's portion and consumption costs.

In 2020, the Village entered

**12. SUBSEQUENT EVENTS**

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the coronavirus disease 2019 ("COVID-19") outbreak. The measures implemented by governments, businesses, and other organizations to safeguard against COVID-19 may have a significant effect on the Village's future operations. An estimate of the financial effects, if any, cannot be made at this time.

**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**13. SEGMENTED DISCLOSURE**

The Village provides a range of services to its taxpayers. For each reported segment, revenues and expenses 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.

*(a) General Government*

General Government is comprised of Village Council, the Office of the Chief Administrative Officer, and Corporate Services. Corporate Services is comprised of Financial Services and Human Resources.

Council makes decisions regarding service delivery and service levels on behalf of the Village in order to balance the needs and wants of Village residents in a financial responsible manner.

*(b) Protective Services*

Protective Services is comprised of Fire and Municipal Enforcement Services. Fire Services is responsible to provide fire suppression services; fire prevention programs; training and education related to fire prevention; and the detection and/or extinguishments of fires. Municipal Enforcement Services provide bylaw enforcement that ranges from community standards, to traffic safety, to animal control as well as provincial statute enforcement with authorities granted by the Solicitor General of Alberta.

*(c) Transportation*

Transportation is comprised of Common Services and the Public Works area. They are responsible for the maintenance of the roadway and storm systems of the Village.

*(d) Public Utilities*

Public Utilities are comprised of water, waste water, and waste management services. They are responsible for providing a water supply, a sanitary sewage collection and disposal system, and a waste disposal service.

*(e) Public Health*

Public Health provides services mandated by Family and Community Support Services Alberta through a shared funding model between the Province of Alberta and the Village.

*(f) Planning and Development*

Planning and Development is responsible for the planning and development of the Village's infrastructure system and work with developers in planning the growth of the Village in a sustainable manner.

*(g) Recreation and Culture*

Recreation and Culture provide recreational and cultural services and activities which promote the well-being of its citizens. These areas are responsible for the parks, playgrounds, facilities, and green spaces of the Village. This area also acts as a liaison between community groups and providing grant funding.

*(continues)*

**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**13. SEGMENTED DISCLOSURE (continued)**

Certain allocation methodologies are employed in the preparation of segmented financial information. Net municipal taxes are unallocated to segments and are presented under General Revenue. Sales and user charges have been allocated to the segment based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. For additional information see the Schedule of Segmented Disclosure (Schedule 5).

**14. FINANCIAL INSTRUMENTS**

The Villages's financial instruments consist of cash, taxes and grants in place of taxes receivable, trade and other receivables, due from other governments, and accounts payable and accrued liabilities. It is management's opinion that the Village is not exposed to significant market, liquidity and currency risk arising from these financial instruments.

The Village is exposed to credit risk with respect to taxes and grants in place of taxes receivables 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

The Village is exposed to interest rate risk with respect to the operating line of credit. Interest rate risk arises from interest rate fluctuations through its variable interest line of credit. As at December 31, 2019, no balance was drawn on the operating line of credit.

Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

**15. BUDGET**

Budget figures presented in these financial statements are based on the 2019 operating budget adopted by Council on July 16, 2019. The Village compiles a budget on a modified accrual basis. The reconciliation below adjusts annual surplus (deficit) to align with the budget process. It should not be used as a replacement for the Statement of Operations and Accumulated Surplus. Users should note that this information may not be appropriate for their purposes.

	2019 Budget	<b>2019 Actual</b>	2018 Actual
Annual surplus (deficit)	\$ (57,541)	\$ <b>(173,688)</b>	\$ 26,683
Add Back:			
Transfers to reserves	59,470	<b>48,000</b>	-
	<u>\$ 1,929</u>	<u>\$ <b>(125,688)</b></u>	<u>\$ 26,683</u>

**16. APPROVAL OF THE FINANCIAL STATEMENTS**

Council and management have approved these financial statements on September 15, 2020.

**VILLAGE OF INNISFREE**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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**17. RESTATEMENT**

The Village has previously expensed a loader as opposed to recording a tangible capital asset.

A vehicle in the Village's possession was no longer available for service as at December 31, 2018. No impairment was recorded to reflect the change in the vehicle's service potential. Insurance proceeds was receivable as a result of the impairment and was not accrued.

For the year-ended December 31, 2018, the Village had under-levied for the Alberta School Foundation Fund requisition. No accrual was recorded to reflect the under-levy.

Last, the Village has identified expenses that have been recorded in the incorrect reporting period.

The effect on the financial statements has been as follows:

- Increase to trade and other receivables of \$12,564
- Increase to tangible capital asset of \$5,827
- Increase to prepaid expenses of \$5,913
- Increase to accounts payable and accrued liabilities of \$8,715
- Increase to annual surplus by \$184
- Increase to opening accumulated surplus by \$15,402.

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**18. SALARIES AND BENEFITS DISCLOSURE**

Disclosure of salaries and benefits for Village officials, the Chief Administrative Officer and designated officers are required by *Alberta Regulation 313/2000*, is as follows:

	Salary (1)	Benefits (2)	2019	2018 (Restated) (Note 17)
Mayor D. McMann	\$ 3,450	\$ -	\$ 3,450	\$ 4,424
Councillor A. Cannan	1,350	-	1,350	2,326
Councillor W. Oudshoorn	2,378	-	2,378	2,242
	<u>\$ 7,178</u>	<u>\$ -</u>	<u>\$ 7,178</u>	<u>\$ 8,992</u>
Chief administrative officer	\$ 50,000	\$ -	\$ 50,000	\$ 57,980
Designated officer (contract)	4,520	-	4,520	4,520
	<u>\$ 54,520</u>	<u>\$ -</u>	<u>\$ 54,520</u>	<u>\$ 62,500</u>

(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 health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition's.