

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

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Innisfree:

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Village of Innisfree, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Innisfree as at December 31, 2017, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

M.D. of Wainwright
August 27, 2018

Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF INNISFREE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	323,128	368,627
Taxes and grants in place of taxes (Note 3)	168,903	113,189
Trade and other receivables	43,001	55,512
Receivable from other governments	332,008	188,461
Other financial assets	20	20
	<u>867,060</u>	<u>725,809</u>
LIABILITIES		
Accounts payable and accrued liabilities	40,871	67,773
Landfill closure and post closure costs (Note 11)	140,331	140,331
Deferred revenue (Note 5)	296,731	252,416
	<u>477,933</u>	<u>460,520</u>
NET FINANCIAL ASSETS	<u>389,127</u>	<u>265,289</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	3,513,803	3,525,602
Prepaid expenses	5,045	3,457
	<u>3,518,848</u>	<u>3,529,059</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>3,907,975</u>	<u>3,794,348</u>

VILLAGE OF INNISFREE

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

	Budget (unaudited)	2017	2016
REVENUE			
Net municipal property taxes (Schedule 3)	266,178	252,911	265,800
User fees and sales of goods	238,205	234,677	226,192
Penalties and costs on taxes	26,250	26,789	25,736
Licenses and permits	1,375	995	1,652
Fines	50	150	20
Franchise and concession contracts	38,750	36,449	35,585
Investment income	750	1,723	1,327
Rentals	3,840	5,691	6,335
Insurance proceeds	1,000	1,000	-
Government transfers for operating	75,380	72,305	207,100
Other	9,290	7,428	25,145
	<u>661,068</u>	<u>640,118</u>	<u>794,892</u>
EXPENSES			
Legislative	16,075	13,395	11,674
Administration	131,941	148,050	290,458
Protective services	44,875	40,954	38,041
Transportation	123,195	107,767	120,472
Water supply and distribution	94,501	78,085	88,163
Wastewater treatment and disposal	29,111	29,653	28,129
Waste management	54,210	49,888	53,168
Public health and welfare	5,733	3,569	2,912
Recreation	23,480	25,008	30,372
Culture	6,005	11,840	6,467
Amortization	119,915	153,667	148,162
Loss (gain) on disposal of assets	-	(600)	29,938
	<u>665,016</u>	<u>663,833</u>	<u>850,811</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(3,948)	(23,715)	(55,919)
OTHER			
Government transfers for capital (Schedule 4)	194,890	137,342	252,171
EXCESS OF REVENUE OVER EXPENSES	190,942	113,627	196,252
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,794,348</u>	<u>3,794,348</u>	<u>3,598,096</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>3,985,290</u></u>	<u><u>3,907,975</u></u>	<u><u>3,794,348</u></u>

VILLAGE OF INNISFREE

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

	Budget (unaudited)	2017	2016
EXCESS OF REVENUE OVER EXPENSES	<u>190,942</u>	<u>113,627</u>	<u>196,252</u>
Acquisition of tangible capital assets	-	(141,868)	(231,759)
Proceeds on disposal of tangible capital assets	-	600	7,357
Amortization of tangible capital assets	119,915	153,667	148,162
Loss on sale of tangible capital assets	-	(600)	29,938
	<u>119,915</u>	<u>11,799</u>	<u>(46,302)</u>
Net (increase) decrease of prepaid assets	-	(1,588)	(487)
INCREASE IN NET FINANCIAL ASSETS	310,857	123,838	149,463
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>265,289</u>	<u>265,289</u>	<u>115,826</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>576,146</u>	<u>389,127</u>	<u>265,289</u>

VILLAGE OF INNISFREE

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

	<u>2017</u>	<u>2016</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	113,627	196,252
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	153,667	148,162
Loss (gain) on disposal of tangible capital assets	(600)	29,938
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(55,714)	(18,522)
Decrease (increase) in trade and other receivables	12,511	(22,460)
Decrease (increase) in receivable from other governments	(143,547)	(23,385)
Decrease (increase) in prepaid expenses	(1,588)	(487)
Increase (decrease) in accounts payable and accrued liabilities	(26,902)	37,455
Increase (decrease) in deferred revenue	44,315	(38,059)
	<u>95,769</u>	<u>308,894</u>
CAPITAL		
Acquisition of tangible capital assets	(141,868)	(231,759)
Sale of tangible capital assets	600	7,357
	<u>(141,268)</u>	<u>(224,402)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(45,499)	84,492
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>368,627</u>	<u>284,135</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>323,128</u>	<u>368,627</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	50	50
Cash in bank	323,078	368,577
	<u>323,128</u>	<u>368,627</u>

VILLAGE OF INNISFREE

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2017	2016
BALANCE, BEGINNING OF YEAR	213,246	55,500	3,525,602	3,794,348	3,598,096
Excess of revenues over expenses	113,627	-	-	113,627	196,252
Unrestricted funds designated for future use	(36,000)	36,000	-	-	-
Current year funds used for tangible capital assets	(141,868)	-	141,868	-	-
Annual amortization expense	153,667	-	(153,667)	-	-
Change in accumulated surplus	89,426	36,000	(11,799)	113,627	196,252
BALANCE, END OF YEAR	302,672	91,500	3,513,803	3,907,975	3,794,348

VILLAGE OF INNISFREE

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

	LAND	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2017	2016
COST:							
Balance - beginning of year	113,630	648,608	5,555,497	302,786	129,614	6,750,135	6,579,377
Acquisition of tangible capital assets	-	10,704	110,014	6,650	14,500	141,868	231,759
Disposal of tangible capital assets	-	-	-	-	3,914	3,914	61,001
Balance - end of year	113,630	659,312	5,665,511	309,436	140,200	6,888,089	6,750,135
ACCUMULATED AMORTIZATION							
Balance - beginning of year	-	184,275	2,817,307	161,087	61,864	3,224,533	3,100,077
Annual amortization	-	13,191	114,178	17,277	9,021	153,667	148,162
Accumulated amortization on disposals	-	-	-	-	3,914	3,914	23,706
Balance - end of year	-	197,466	2,931,485	178,364	66,971	3,374,286	3,224,533
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	113,630	461,846	2,734,026	131,072	73,229	3,513,803	3,525,602
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	113,630	464,333	2,738,190	141,699	67,750	3,525,602	

VILLAGE OF INNISFREE

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

	Budget (Unaudited)	2017	2016
TAXATION			
Real property taxes	271,901	259,063	271,022
Linear property taxes	29,824	29,824	30,310
Government grants in place of property taxes	986	986	1,026
	<u>302,711</u>	<u>289,873</u>	<u>302,358</u>
REQUISITIONS			
Alberta School Foundation	34,778	35,208	34,778
M.D. of Minburn Foundation	1,755	1,754	1,780
	<u>36,533</u>	<u>36,962</u>	<u>36,558</u>
NET MUNICIPAL TAXES	<u>266,178</u>	<u>252,911</u>	<u>265,800</u>

VILLAGE OF INNISFREE

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

	Budget (Unaudited)	2017	2016
TRANSFERS FOR OPERATING			
Federal Government	1,792	1,525	3,584
Provincial Government	38,428	32,338	168,623
Local Governments	35,160	38,442	34,893
	<u>75,380</u>	<u>72,305</u>	<u>207,100</u>
TRANSFERS FOR CAPITAL			
Federal Government	6,000	51,874	4,652
Provincial Government	188,890	85,468	247,519
	<u>194,890</u>	<u>137,342</u>	<u>252,171</u>
TOTAL GOVERNMENT TRANSFERS	<u>270,270</u>	<u>209,647</u>	<u>459,271</u>

VILLAGE OF INNISFREE

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

	Budget (Unaudited)	2017	2016
Expenditures			
Salaries, wages and benefits	146,598	162,308	154,630
Contracted and general services	163,595	117,521	268,942
Purchases from other governments	32,750	28,561	32,862
Materials, goods and utilities	191,875	185,877	181,612
Provision for allowances	2,000	6,417	7,539
Transfers to local boards and agencies	6,528	6,528	6,728
Bank charges and short term interest	1,750	1,258	1,255
Other expenditures	5	2,296	19,143
Amortization of tangible capital assets	119,915	153,667	148,162
(Gain) Loss on disposal of tangible capital assets	-	(600)	29,938
	<u>665,016</u>	<u>663,833</u>	<u>850,811</u>

VILLAGE OF INNISFREE

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2017 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Recreation & Culture	Total
REVENUE							
Net municipal property taxes (Schedule 2)	252,911	-	-	-	-	-	252,911
User fees and sales of goods	639	-	300	208,647	-	22,841	234,677
Penalties and costs on taxes	24,383	-	-	2,406	-	-	26,789
Licenses and permits	-	920	-	-	-	-	995
Fines	-	150	-	-	-	-	150
Franchise and concession contracts	36,449	-	-	-	-	-	36,449
Investment income	1,723	-	-	-	-	-	1,723
Rentals	5,691	-	-	-	-	-	5,691
Insurance proceeds	-	-	-	-	1,000	-	1,000
Government transfers	32,338	38,442	1,525	-	-	-	72,305
Other	6,233	1,195	-	-	-	-	7,428
	<u>360,367</u>	<u>40,707</u>	<u>1,825</u>	<u>211,053</u>	<u>1,000</u>	<u>22,841</u>	<u>640,118</u>
EXPENSES							
Salaries, wages and benefits	81,488	16,526	23,403	38,228	-	2,663	162,308
Contracted and general services	61,861	12,754	7,978	16,935	1,731	14,305	117,521
Purchases from other governments	-	-	-	28,561	-	-	28,561
Materials, goods and utilities	8,050	11,674	76,386	73,902	-	15,265	185,877
Provision for allowances	6,417	-	-	-	-	-	6,417
Transfers to local boards and agencies	75	-	-	-	1,838	4,615	6,528
Bank charges and short term interest	1,258	-	-	-	-	-	1,258
Other expenditures	2,296	-	-	-	-	-	2,296
	<u>161,445</u>	<u>40,954</u>	<u>107,767</u>	<u>157,626</u>	<u>3,569</u>	<u>36,848</u>	<u>510,766</u>
NET REVENUE, BEFORE AMORTIZATION	<u>198,922</u>	<u>(247)</u>	<u>(105,942)</u>	<u>53,427</u>	<u>(2,569)</u>	<u>(14,007)</u>	<u>129,352</u>
AMORTIZATION AND DISPOSAL OF ASSETS							
Amortization of tangible capital assets	601	2,508	43,813	96,049	-	10,696	153,667
(Gain) Loss on disposal of tangible capital assets	-	-	-	-	-	(600)	(600)
	<u>601</u>	<u>2,508</u>	<u>43,813</u>	<u>96,049</u>	<u>-</u>	<u>10,096</u>	<u>153,067</u>
NET REVENUE	<u>198,321</u>	<u>(2,755)</u>	<u>(149,755)</u>	<u>(42,622)</u>	<u>(2,569)</u>	<u>(24,103)</u>	<u>(23,715)</u>

VILLAGE OF INNISFREE

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Innisfree 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 Institute of Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the village are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village are, therefore accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

VILLAGE OF INNISFREE

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

f) Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

g) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the village 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.

VILLAGE OF INNISFREE

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

i) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Buildings	25-50
Engineered structures - other	15-40
Engineered structures - water system	35-75
Engineered structures - wastewater system	35-75
Machinery and equipment	5-20
Vehicles	3-20

ii. Contributions of Tangible Capital Assets

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

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

VILLAGE OF INNISFREE

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

2. CASH AND TERM DEPOSITS

	<u>2017</u>	<u>2016</u>
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 5)	<u>93,511</u>	<u>161,892</u>
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 10)	<u>91,500</u>	<u>55,500</u>
Total restricted cash and term deposits excess	<u><u>229,617</u></u>	<u><u>206,735</u></u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2017</u>	<u>2016</u>
Current taxes and grants in place of taxes	89,069	91,988
Arrears taxes	<u>90,170</u>	<u>29,083</u>
	179,239	121,071
Less: allowance for doubtful accounts	<u>10,336</u>	<u>7,882</u>
	<u><u>168,903</u></u>	<u><u>113,189</u></u>

4. BANK INDEBTEDNESS

Bank indebtedness consists of an authorized overdraft in the amount of \$120,000 bearing interest at Prime plus 0.36%, secured by all assets of the village at large.

5. DEFERRED INCOME

Deferred income consists of the following:	<u>2017</u>	<u>2016</u>
Municipal Sustainability Initiative - capital	103,220	40,524
Federal Gas Tax	176,579	178,453
Other deferred revenue	<u>16,932</u>	<u>33,439</u>
	<u><u>296,731</u></u>	<u><u>252,416</u></u>

VILLAGE OF INNISFREE

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

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 Innisfree be disclosed as follows:

	<u>2017</u>	<u>2016</u>
Total debt limit	960,177	1,192,338
Total debt	-	-
Surplus debt limit	<u>960,177</u>	<u>1,192,338</u>
Debt servicing limit	160,030	198,723
Debt servicing	-	-
Surplus debt servicing	<u>160,030</u>	<u>198,723</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.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible capital assets (Schedule 2)	6,888,089	6,750,135
Accumulated amortization (Schedule 2)	<u>(3,374,286)</u>	<u>(3,224,533)</u>
	<u>3,513,803</u>	<u>3,525,602</u>

VILLAGE OF INNISFREE

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

8. ACCUMULATED SURPLUS

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

	<u>2017</u>	<u>2016</u>
Unrestricted surplus	<u>302,672</u>	<u>213,246</u>
Restricted surplus		
Administration	3,000	2,000
Fire	14,000	10,000
Public works	24,500	15,000
Water system	5,000	5,000
Sewer system	20,500	10,000
Recreation	15,000	10,000
General	9,500	3,500
	<u>91,500</u>	<u>55,500</u>
Equity in tangible capital assets	<u>3,513,803</u>	<u>3,525,602</u>
	<u>3,907,975</u>	<u>3,794,348</u>

9. SEGMENTED DISCLOSURE

The Village of Innisfree 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 INNISFREE

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

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:

	2017			2016
	Salary	Benefits & Allowances	Total	Total
ANDERSON	675	-	675	1,200
CANNAN	1,968	-	1,968	1,525
DOBLER	1,850	-	1,850	2,406
HLUSHAK	1,875	-	1,875	2,225
MCMANN	3,402	-	3,402	3,065
OUDSHOORN	600	-	600	-
CAO	54,600	5,667	60,267	57,298

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. LANDFILL CLOSURE AND POST CLOSURE LIABILITY

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

The village is a partner in the Manville landfill site and is liable for 9.8% of the closure and post closure costs of the landfill. The site is now closed for accepting further waste and the total present value of the future costs have been recorded.

The accrued liabilities for closure and post-closure care of the municipality's landfill sites are recognized over the life of the sites, using the net present value of the total estimated costs of closure and post-closure care, prorated on the basis of the current capacity, in cubic meters, utilized over the total estimated capacity of the sites. The net present value of the estimated closure and post-closure costs were calculated using an inflation rate of 2.5% and a rate of return of 1.5%

The municipality has not designated assets for settling closure and post-closure liabilities. The following summarizes the total net present value of the estimated costs for closure and post-closure.

	2017	2016
Estimated closure costs	82,727	82,727
Estimated post-closure costs	57,604	57,604
Amount accrued to December 31	(140,331)	(140,331)
	-	-

VILLAGE OF INNISFREE

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

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.

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. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.