

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

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Innisfree:

Report on the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

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

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

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

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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
August 9, 2019


Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF INNISFREE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	393,746	323,128
Taxes and grants in place of taxes (Note 3)	153,795	168,903
Trade and other receivables	47,801	43,001
Receivable from other governments	443,006	332,008
Other financial assets	20	20
	<u>1,038,368</u>	<u>867,060</u>
LIABILITIES		
Accounts payable and accrued liabilities	113,244	40,871
Landfill closure and post closure costs (Note 11)	140,331	140,331
Deferred revenue (Note 5)	357,769	296,731
	<u>611,344</u>	<u>477,933</u>
NET FINANCIAL ASSETS	<u>427,024</u>	<u>389,127</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	3,507,450	3,513,803
Prepaid expenses	-	5,045
	<u>3,507,450</u>	<u>3,518,848</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>3,934,474</u>	<u>3,907,975</u>

Commitments and contingencies - See Note 12 and 14

VILLAGE OF INNISFREE

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (unaudited)	2018	2017
REVENUE			
Net municipal property taxes (Schedule 3)	266,178	243,404	252,911
User fees and sales of goods	238,205	230,402	234,677
Penalties and costs on taxes	26,250	35,681	26,789
Licenses and permits	1,375	744	995
Fines	50	150	150
Franchise and concession contracts	38,750	37,277	36,449
Investment income	750	4,339	1,723
Rentals	3,840	6,955	5,691
Insurance proceeds	-	-	1,000
Government transfers for operating	75,380	83,867	72,305
Other	9,290	15,911	7,428
	<u>660,068</u>	<u>658,730</u>	<u>640,118</u>
EXPENSES			
Legislative	16,075	13,235	13,395
Administration	131,941	221,555	148,050
Protective services	44,875	39,241	40,954
Transportation	123,195	127,268	107,767
Water supply and distribution	94,501	87,792	78,085
Wastewater treatment and disposal	29,111	51,747	29,653
Waste management	54,210	47,030	49,888
Public health and welfare	5,733	3,680	3,569
Recreation	23,480	26,108	25,008
Culture	6,005	8,222	11,840
Amortization	119,915	153,643	153,667
Loss (gain) on disposal of assets	-	-	(600)
	<u>665,016</u>	<u>779,521</u>	<u>663,833</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(4,948)	(120,791)	(23,715)
OTHER			
Government transfers for capital (Schedule 4)	194,890	147,290	137,342
EXCESS OF REVENUE OVER EXPENSES	189,942	26,499	113,627
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,907,975</u>	<u>3,907,975</u>	<u>3,794,348</u>
ACCUMULATED SURPLUS, END OF YEAR	<u><u>4,097,917</u></u>	<u><u>3,934,474</u></u>	<u><u>3,907,975</u></u>

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

	Budget (unaudited)	2018	2017
EXCESS OF REVENUE OVER EXPENSES	<u>189,942</u>	<u>26,499</u>	<u>113,627</u>
Acquisition of tangible capital assets	-	(147,290)	(141,868)
Proceeds on disposal of tangible capital assets	-	-	600
Amortization of tangible capital assets	119,915	153,643	153,667
Loss on sale of tangible capital assets	-	-	(600)
	<u>119,915</u>	<u>6,353</u>	<u>11,799</u>
Net (increase) decrease of prepaid assets	-	<u>5,045</u>	<u>(1,588)</u>
INCREASE IN NET FINANCIAL ASSETS	309,857	37,897	123,838
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>389,127</u>	<u>389,127</u>	<u>265,289</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>698,984</u>	<u>427,024</u>	<u>389,127</u>

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

	<u>2018</u>	<u>2017</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	26,499	113,627
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	153,643	153,667
Loss (gain) on disposal of tangible capital assets	-	(600)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	15,108	(55,714)
Decrease (increase) in trade and other receivables	(4,800)	12,511
Decrease (increase) in receivable from other governments	(110,998)	(143,547)
Decrease (increase) in prepaid expenses	5,045	(1,588)
Increase (decrease) in accounts payable and accrued liabilities	72,373	(26,902)
Increase (decrease) in deferred revenue	61,038	44,315
	<u>217,908</u>	<u>95,769</u>
CAPITAL		
Acquisition of tangible capital assets	(147,290)	(141,868)
Sale of tangible capital assets	-	600
	<u>(147,290)</u>	<u>(141,268)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	-	68,381
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	70,618	22,882
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	229,617	206,735
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>300,235</u>	<u>229,617</u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and temporary investments (Note 2)	393,746	323,128
Less: restricted portion of cash and temporary investments (Note 2)	(93,511)	(93,511)
	<u>300,235</u>	<u>229,617</u>

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	302,672	91,500	3,513,803	3,907,975	3,794,348
Excess of revenues over expenses	26,499	-	-	26,499	113,627
Unrestricted funds designated for future use	(35,000)	35,000	-	-	-
Current year funds used for tangible capital assets	(147,290)	-	147,290	-	-
Annual amortization expense	153,643	-	(153,643)	-	-
Change in accumulated surplus	(2,148)	35,000	(6,353)	26,499	113,627
BALANCE, END OF YEAR	300,524	126,500	3,507,450	3,934,474	3,907,975

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

	LAND	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2018	2017
COST:							
Balance - beginning of year	113,630	659,312	5,665,511	309,436	140,200	6,888,089	6,750,135
Acquisition of tangible capital assets	-	-	-	-	-	-	141,868
Construction in progress	-	-	147,290	-	-	147,290	-
Disposal of tangible capital assets	-	-	-	-	-	-	3,914
Balance - end of year	113,630	659,312	5,812,801	309,436	140,200	7,035,379	6,888,089
ACCUMULATED AMORTIZATION							
Balance - beginning of year	-	197,466	2,931,485	178,364	66,971	3,374,286	3,224,533
Annual amortization	-	13,191	114,153	17,278	9,021	153,643	153,667
Accumulated amortization on disposals	-	-	-	-	-	-	3,914
Balance - end of year	-	210,657	3,045,638	195,642	75,992	3,527,929	3,374,286
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	113,630	448,655	2,767,163	113,794	64,208	3,507,450	3,513,803
PRIOR YEAR NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	113,630	461,846	2,734,026	131,072	73,229	3,513,803	3,513,803

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

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	273,028	252,745	259,063
Linear property taxes	28,705	28,705	29,824
Government grants in place of property taxes	978	978	986
	<u>302,711</u>	<u>282,428</u>	<u>289,873</u>
REQUISITIONS			
Alberta School Foundation	34,778	37,089	35,208
M.D. of Minburn Foundation	1,755	1,898	1,754
Designated Industrial Levy	-	37	-
	<u>36,533</u>	<u>39,024</u>	<u>36,962</u>
NET MUNICIPAL TAXES	<u>266,178</u>	<u>243,404</u>	<u>252,911</u>

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

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Federal Government	3,992	1,503	1,525
Provincial Government	36,228	40,311	32,338
Local Governments	35,160	42,053	38,442
	<u>75,380</u>	<u>83,867</u>	<u>72,305</u>
TRANSFERS FOR CAPITAL			
Federal Government	6,000	-	51,874
Provincial Government	188,890	147,290	85,468
	<u>194,890</u>	<u>147,290</u>	<u>137,342</u>
TOTAL GOVERNMENT TRANSFERS	<u>270,270</u>	<u>231,157</u>	<u>209,647</u>

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

	Budget (Unaudited)	2018	2017
Expenditures			
Salaries, wages and benefits	145,708	158,390	162,308
Contracted and general services	164,385	209,215	117,521
Purchases from other governments	32,750	25,175	28,561
Materials, goods and utilities	191,975	211,917	185,877
Provision for allowances	2,000	15,410	6,417
Transfers to local boards and agencies	6,528	3,144	6,528
Bank charges and short term interest	1,755	2,627	1,258
Other expenditures	-	-	2,296
Amortization of tangible capital assets	119,915	153,643	153,667
(Gain) Loss on disposal of tangible capital assets	-	-	(600)
	<u>665,016</u>	<u>779,521</u>	<u>663,833</u>

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SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2018 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Recreation & Culture	Total
REVENUE							
Net municipal property taxes (Schedule 2)	243,404	-	-	-	-	-	243,404
User fees and sales of goods	929	-	288	209,518	-	19,667	230,402
Penalties and costs on taxes	33,674	-	-	2,007	-	-	35,681
Licenses and permits	-	744	-	-	-	-	744
Fines	-	150	-	-	-	-	150
Franchise and concession contracts	37,277	-	-	-	-	-	37,277
Investment income	4,339	-	-	-	-	-	4,339
Rentals	6,955	-	-	-	-	-	6,955
Government transfers	40,311	42,053	-	-	-	1,503	83,867
Other	13,939	1,340	-	-	600	-	15,911
	<u>380,828</u>	<u>44,287</u>	<u>288</u>	<u>211,525</u>	<u>600</u>	<u>21,170</u>	<u>658,730</u>
EXPENSES							
Salaries, wages and benefits	73,374	15,691	26,065	39,876	-	3,384	158,390
Contracted and general services	110,371	6,884	18,407	57,743	1,842	13,968	209,215
Purchases from other governments	-	-	-	25,175	-	-	25,175
Materials, goods and utilities	32,833	16,666	80,832	65,739	-	15,847	211,917
Provision for allowances	15,410	-	-	-	-	-	15,410
Transfers to local boards and agencies	175	-	-	-	1,838	1,131	3,144
Bank charges and short term interest	2,627	-	-	-	-	-	2,627
	<u>234,790</u>	<u>39,241</u>	<u>125,304</u>	<u>188,533</u>	<u>3,680</u>	<u>34,330</u>	<u>625,878</u>
NET REVENUE, BEFORE AMORTIZATION	<u>146,038</u>	<u>5,046</u>	<u>(125,016)</u>	<u>22,992</u>	<u>(3,080)</u>	<u>(13,160)</u>	<u>32,852</u>
AMORTIZATION AND DISPOSAL OF ASSETS							
Amortization of tangible capital assets	603	2,508	43,787	96,049	-	10,696	153,643
	<u>603</u>	<u>2,508</u>	<u>43,787</u>	<u>96,049</u>	<u>-</u>	<u>10,696</u>	<u>153,643</u>
NET REVENUE	<u>145,435</u>	<u>2,538</u>	<u>(168,803)</u>	<u>(73,057)</u>	<u>(3,080)</u>	<u>(23,856)</u>	<u>(120,791)</u>

VILLAGE OF INNISFREE

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

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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

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

d) Investments

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

e) Requisition Over-levy and Under-levy

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

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

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

f) Inventories for Resale

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

g) Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

h) 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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	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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 TERM DEPOSITS

	<u>2018</u>	<u>2017</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)		
Federal Gas Tax	76,579	76,579
Other deferred revenue	16,932	16,932
	<u>93,511</u>	<u>93,511</u>
Included in cash and term deposits are amounts designated by council for future expenses and tangible capital asset acquisitions. (Note 10)		
	<u>126,500</u>	91,500
Total restricted cash and term deposits	<u>220,011</u>	<u>185,011</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	89,673	89,069
Arrears taxes	79,066	90,170
	<u>168,739</u>	<u>179,239</u>
Less: allowance for doubtful accounts	14,944	10,336
	<u>153,795</u>	<u>168,903</u>

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

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>2018</u>	<u>2017</u>
Municipal Sustainability Initiative - capital	114,258	103,220
Federal Gas Tax	226,579	176,579
Other deferred revenue	16,932	16,932
	<u>357,769</u>	<u>296,731</u>

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>2018</u>	<u>2017</u>
Total debt limit	988,095	960,177
Total debt	-	-
Surplus debt limit	<u>988,095</u>	<u>960,177</u>
Debt servicing limit	164,683	160,030
Debt servicing	-	-
Surplus debt servicing	<u>164,683</u>	<u>160,030</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>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	7,035,379	6,888,089
Accumulated amortization (Schedule 2)	<u>(3,527,929)</u>	<u>(3,374,286)</u>
	<u>3,507,450</u>	<u>3,513,803</u>

VILLAGE OF INNISFREE

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

8. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	<u>300,524</u>	<u>302,672</u>
Restricted surplus		
Administration	4,000	3,000
Fire	18,000	14,000
Public works	34,000	24,500
Water system	5,000	5,000
Sewer system	31,000	20,500
Recreation	20,000	15,000
General	14,500	9,500
	<u>126,500</u>	<u>91,500</u>
Equity in tangible capital assets	<u>3,507,450</u>	<u>3,513,803</u>
	<u>3,934,474</u>	<u>3,907,975</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, 2018

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:

	2018			2017
	Salary	Benefits & Allowances	Total	Total
ANDERSON	-	-	-	675
CANNAN	2,326	-	2,326	1,968
DOBLER	-	-	-	1,850
HLUSHAK	-	-	-	1,875
MCMANN	4,424	-	4,424	3,402
OUDSHOORN	2,242	-	2,242	600
CAO	53,731	4,249	57,980	60,267
Designated Officer	4,520	-	4,520	4,520

- Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- 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.

	2018	2017
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, 2018

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. CONTAMINATED SITES LIABILITY

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

14. COMMITMENTS

The village is committed to make monthly payments of \$1,334 for the next 33 months in relation to the municipal software changeover and installation.

15. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the village is not exposed to significant interest or currency risks arising from these financial instruments.

The village is subject to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the village provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the fair value of these financial instruments approximates their fair value.

16. COMPARITIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.