

Town of Innisfail
Consolidated Financial Statements
For the year ended December 31, 2017

Town of Innisfail
Consolidated Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

To the Mayor and Council of the Town of Innisfail

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Town of Innisfail, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Red Deer, Alberta
March 26, 2018

Chartered Professional Accountants

Town of Innisfail
Consolidated Statement of Financial Position

December 31	2017	2016
Financial assets		
Cash and cash equivalents (Note 1)	\$ 13,675,165	\$ 11,492,253
Short-term investment (Note 2)	3,848,373	3,751,552
Taxes receivable (Note 3)	607,533	510,551
Accounts receivable (Note 4)	1,441,210	1,112,915
Inventory held for resale (Note 5)	4,973,804	5,086,321
	24,546,085	21,953,592
Liabilities		
Accounts payable and accrued liabilities	1,318,024	1,029,080
Employee benefit obligation (Note 6)	175,636	160,113
Deposit liabilities	118,600	113,920
Deferred revenue (Note 7)	1,403,931	2,387,653
Long-term debt (Note 8)	302,700	403,600
	3,318,891	4,094,366
Net financial assets	21,227,194	17,859,226
Non-financial assets		
Tangible capital assets (Note 9)	85,728,516	84,834,761
Prepaid expenses	78,251	1,993
	85,806,767	84,836,754
Accumulated surplus (Note 11)	\$ 107,033,961	\$ 102,695,980
Debenture debt limits (Note 18)		
Contingencies (Note 19)		
Commitments (Note 20)		

Town of Innisfail
Consolidated Statement of Operations

For the year ended December 31	Budget 2017	2017	2016
Revenue			
Net municipal taxes (Note 13)	\$ 7,432,092	\$ 7,449,763	\$ 7,532,668
Government transfers for operating (Note 14)	951,424	952,245	1,009,734
Sales and user fees	7,345,801	6,713,369	6,953,711
Rental revenue	337,840	392,065	327,190
Franchises and concessions	1,206,442	1,227,215	1,080,905
Investment income	180,000	216,781	181,331
Fines and costs	251,500	295,381	289,106
Other	43,465	91,752	60,705
Gain on disposal of assets	-	15,700	29,754
Licenses and permits	240,400	157,304	291,733
	<u>17,988,964</u>	<u>17,511,575</u>	<u>17,756,837</u>
Expenditures (Note 15)			
Legislative	259,430	274,274	229,503
Administration	1,585,349	1,590,866	1,541,532
Protective services	2,609,361	2,337,687	2,255,526
Transportation services	4,230,054	4,058,462	3,996,358
Water and wastewater	6,183,760	4,976,742	5,176,170
Waste management	805,333	815,129	854,803
Planning and development	397,805	374,068	411,259
Recreation and parks	3,766,869	3,606,490	3,407,095
Public health and welfare	378,986	380,285	402,798
	<u>20,216,947</u>	<u>18,414,003</u>	<u>18,275,044</u>
Deficiency of revenue over expenditures - before other	(2,227,983)	(902,428)	(518,207)
Other			
Government transfers for capital (Note 14)	6,034,630	5,240,409	1,220,606
Excess of revenue over expenditures	<u>3,806,647</u>	<u>4,337,981</u>	<u>702,399</u>
Accumulated surplus, beginning of the year	<u>102,695,980</u>	<u>102,695,980</u>	<u>101,993,581</u>
Accumulated surplus, end of year	<u>\$ 106,502,627</u>	<u>\$ 107,033,961</u>	<u>\$ 102,695,980</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Town of Innisfail
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2017	2017	2016
Excess of revenue over expenditures	3,806,647	4,337,981	702,399
Acquisition of tangible capital assets	\$ (6,600,000)	(4,479,080)	\$ (4,336,439)
Amortization of tangible capital assets	3,585,324	3,585,325	3,299,769
Net (gain) loss on sale of tangible capital assets	-	(15,700)	(29,754)
Proceeds on sale of tangible capital assets	-	15,700	86,754
	791,971	3,444,226	(277,271)
Change in prepaid expenses	-	(76,258)	159,261
Net change in net financial assets	791,971	3,367,968	(118,010)
Net financial assets, beginning of year,	17,859,226	17,859,226	17,977,236
Net financial assets, end of year	\$ 18,651,197	\$ 21,227,194	\$ 17,859,226

Town of Innisfail
Consolidated Statement of Cash Flows

For the year ended December 31	2017	2016
Operating transactions		
Excess of revenue over expenditures	\$ 4,337,981	\$ 702,399
Items not involving cash		
Amortization	3,585,325	3,299,769
Net gain on disposal of tangible capital assets	(15,700)	(29,754)
Changes in non-cash operating balances		
Taxes receivable	(96,982)	18,545
Accounts receivable	(328,295)	(300,208)
Inventory held for resale	112,517	456,258
Prepaid expenses	(76,258)	159,261
Accounts payable and accrued liabilities	288,944	149,256
Employee benefit obligation	15,523	5,117
Deposit liabilities	4,680	(280)
Deferred revenue	(983,722)	1,054,019
	6,844,013	5,514,382
Capital transactions		
Acquisition of tangible capital assets	(4,479,080)	(4,336,439)
Proceeds on sale of tangible capital assets	15,700	86,754
Investing transactions		
Change of investments	(96,821)	(120,868)
Change in restricted cash balances	895,491	(1,057,205)
	798,670	(1,178,073)
Financing transactions		
Repayment of long-term debt	(100,900)	(100,900)
Net change in cash and cash equivalents	3,078,403	(14,276)
Cash and cash equivalents, beginning of year	9,218,987	9,233,263
Cash and cash equivalents, end of year	\$ 12,297,390	\$ 9,218,987
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 13,675,165	\$ 11,492,253
Less: restricted (Note 1)	(1,377,775)	(2,273,266)
	\$ 12,297,390	\$ 9,218,987

Town of Innisfail
Summary of Significant Accounting Policies

December 31, 2017

**Management's
Responsibility for the
Financial Statements**

The consolidated financial statements of the Town are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada.

Basis of Consolidation

The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Innisfail Public Library

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

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

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Land Held for Resale

Land held for resale is recorded at 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 leveling 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 their respective function.

**Excess Collections and
Under-levies**

Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

Town of Innisfail
Summary of Significant Accounting Policies

December 31, 2017

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 100 years
Buildings	25 to 50 years
Engineered Structures	
Water system	45 to 80 years
Wastewater system	45 to 80 years
Road system	10 to 30 years
Machinery, equipment and furnishings	5 to 40 years
Vehicles	5 to 40 years

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Revenue Recognition

Taxes are recognized as revenue in the year they are levied.

Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized on an accrual basis.

Town of Innisfail
Summary of Significant Accounting Policies

December 31, 2017

**Liability for
Contaminated Sites**

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to the remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded at net of any expected recoveries.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

1. Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
Current account	\$ 13,675,165	\$ 11,454,751
Redeemable guaranteed investment certificates, bearing interest at rates ranging from 2.03%-2.30%.	-	37,502
	<u>\$ 13,675,165</u>	<u>\$ 11,492,253</u>

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects.

	<u>2017</u>	<u>2016</u>
MSI and Building Canada grant	\$ 1,281,395	\$ 1,611,933
FGTF grant	96,380	661,333
	<u>\$ 1,377,775</u>	<u>\$ 2,273,266</u>

2. Short-term Investments

	<u>2017</u>	<u>2016</u>
Guaranteed investment certificates, bearing interest at rates of 0.50% to 2.12% and maturing on dates ranging from July, 2018 through September 2021	\$ 3,848,373	\$ 3,751,552

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

3. Taxes Receivable

	2017	2016
Current taxes and grants in place	\$ 404,815	\$ 301,618
Non-current taxes and grants in place	202,718	208,933
	<u>\$ 607,533</u>	<u>\$ 510,551</u>

4. Accounts Receivable

	2017	2016
Trade receivables	\$ 1,393,764	\$ 1,065,469
Accrued interest receivable	47,446	47,446
	<u>\$ 1,441,210</u>	<u>\$ 1,112,915</u>

5. Inventories for Resale

	2017	2016
Land held for resale	\$ 4,973,804	\$ 5,086,321

6. Employee Benefit Obligation

	2017	2016
Accrued vacation pay	\$ 127,609	\$ 116,136
Accrued flex time benefit	48,027	43,977
	<u>\$ 175,636</u>	<u>\$ 160,113</u>

Accrued vacation pay is comprised of the vacation that employees are deferring to future years.

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

7. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI & Building Canada grant	\$ 1,611,933	3,884,298	(4,214,836)	\$ 1,281,395
Red Deer County grant	-	247,295	(247,295)	-
Policing grant	-	263,624	(263,624)	-
CFSA Community Capacity grant	-	43,189	(43,189)	-
F.C.S.S grant	-	209,088	(209,088)	-
Federal Gas Tax	661,333	430,170	(995,123)	96,380
Other	114,387	131,268	(219,499)	26,156
	<u>\$ 2,387,653</u>	<u>5,208,932</u>	<u>(6,192,654)</u>	<u>\$ 1,403,931</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Town is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

8. Long-Term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2017	2016
Private mortgage payable, bearing interest at prime plus 2% per year with annual installments of \$100,900, maturing in 2020. (Prime rate as at December 31, 2017 was 3.20% (2016 - 2.70%))	<u>302,700</u>	<u>403,600</u>

Principal and interest payments relating to net long term debt of \$302,700 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2018	\$ 100,900	\$ 15,135	\$ 116,035
2019	100,900	11,090	111,990
2020	100,900	5,045	105,945
	<u>\$ 302,700</u>	<u>\$ 31,270</u>	<u>\$ 333,970</u>

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

9. Tangible Capital Assets

								2017
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 3,891,409	\$ 3,959,241	\$ 22,158,765	\$ 94,411,852	\$ 3,936,873	\$ 4,516,426	\$ 1,789,754	\$134,664,320
Additions		96,659	2,840,436	70,841	536,512	254,704	679,928	4,479,080
Write-downs & disposals	-	-	-	-	-	(119,068)	-	(119,068)
Cost, end of year	<u>\$ 3,891,409</u>	<u>\$ 4,055,900</u>	<u>\$ 24,999,201</u>	<u>\$ 94,482,693</u>	<u>\$ 4,473,385</u>	<u>\$ 4,652,062</u>	<u>\$ 2,469,682</u>	<u>\$139,024,332</u>
Accumulated amortization, beginning of year	\$ -	\$ 1,649,467	\$ 7,327,211	\$ 36,304,365	\$ 1,185,431	\$ 3,363,085	\$ -	\$ 49,829,559
Amortization	-	200,180	585,392	2,158,139	301,570	340,044	-	3,585,325
Disposals	-	-	-	-	-	(119,068)	-	(119,068)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 1,849,647</u>	<u>\$ 7,912,603</u>	<u>\$ 38,462,504</u>	<u>\$ 1,487,001</u>	<u>\$ 3,584,061</u>	<u>\$ -</u>	<u>\$ 53,295,816</u>
Net carrying amount, end of year	<u>\$ 3,891,409</u>	<u>\$ 2,206,253</u>	<u>\$ 17,086,598</u>	<u>\$ 56,020,189</u>	<u>\$ 2,986,384</u>	<u>\$ 1,068,001</u>	<u>\$ 2,469,682</u>	<u>\$ 85,728,516</u>

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

9. Tangible Capital Assets (continued)

								2016
	Land	Land	Buildings	Engineered	Machinery	Vehicles	Work in	Total
	Improvements	Improvements		Structures	and		Progress	
					Equipment			
Cost, beginning of year	\$ 3,928,681	\$ 3,801,214	\$ 21,565,839	\$ 93,403,292	\$ 2,843,106	\$ 4,431,616	\$ 411,133	\$130,384,881
Additions	12,728	158,027	592,926	1,008,560	1,093,767	91,810	1,378,621	4,336,439
Write-downs	(50,000)	-	-	-	-	(7,000)	-	(57,000)
Cost, end of year	\$ 3,891,409	\$ 3,959,241	\$ 22,158,765	\$ 94,411,852	\$ 3,936,873	\$ 4,516,426	\$ 1,789,754	\$134,664,320
Accumulated amortization, beginning of year	\$ -	\$ 1,501,655	\$ 6,843,107	\$ 34,147,169	\$ 924,633	\$ 3,113,226	\$ -	\$ 46,529,790
Amortization		147,812	484,104	2,157,196	260,798	249,859	-	3,299,769
Accumulated amortization, end of year	\$ -	\$ 1,649,467	\$ 7,327,211	\$ 36,304,365	\$ 1,185,431	\$ 3,363,085	\$ -	\$ 49,829,559
Net carrying amount, end of year	\$ 3,891,409	\$ 2,309,774	\$ 14,831,554	\$ 58,107,487	\$ 2,751,442	\$ 1,153,341	\$ 1,789,754	\$ 84,834,761

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

10. Equity in Tangible Capital Assets

	<u>2017</u>	<u>2016</u>
Tangible capital assets	\$ 139,024,332	\$ 134,664,320
Accumulated amortization	(53,295,816)	(49,829,559)
	<u>\$ 85,728,516</u>	<u>\$ 84,834,761</u>

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

11. Accumulated Surplus

	2017	2016
Equity in tangible capital assets	\$ 85,728,516	\$ 84,834,761
Unrestricted surplus	5,847,787	3,615,958
	91,576,303	88,450,719
Restricted surplus		
General operating	338,991	411,239
General capital	2,472,076	2,418,470
Tournament building	50,000	-
Trails/pathways	123,048	73,048
Skatepark	55,960	410
Handivan	20,000	10,000
Fire services	397,692	164,737
Public works	444,144	394,195
Baseball diamonds	87,288	-
Gravel pit reclamation	-	365,375
Community bus	110,405	105,405
Water system	994,407	741,756
Wastewater treatment	1,951,540	1,416,945
Utilities stabilization	3,553,090	3,367,689
Solid Waste	15,554	-
Cemetery	92,559	79,898
Land Acquisition/Servicing	2,114,313	2,124,823
In Lieu (Wes Leslie)	65,362	65,361
In lieu (Napwest)	6,800	6,800
Offsite levy	153,800	152,100
Woodlands area	496,673	496,673
Campground	83,991	78,991
Recreation and culture	507,377	458,602
Curling rink	27,497	17,498
Pool	67,732	129,215
Parks equipment	116,105	117,747
Library	199,275	199,275
Centennial park	123,988	123,988
Joint use center	49,024	35,160
Bylaw Mobile Equipment	25,736	11,166
Utility Equipment	213,150	163,150
Waste Transfer Upgrade	50,000	50,000
Arena	248,028	298,745
Playground	75,238	75,000
Emergency Management	18,300	11,800
Snow Removal	108,515	80,000
	15,457,658	14,245,261
	\$ 107,033,961	\$ 102,695,980

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

12. Change in Accumulated Surplus

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2017	2016
Balance, beginning of year	\$ 3,615,958	\$ 14,245,261	\$ 84,834,761	\$ 102,695,980	\$ 101,993,581
Excess of revenue over expenses	4,337,981	-	-	4,337,981	702,399
Net operating transfers to restricted surplus	(2,888,670)	2,888,670	-	-	-
Capital transfers from restricted surplus	1,676,273	(1,676,273)	-	-	-
Acquisition of capital	(4,479,080)	-	4,479,080	-	-
Disposals and write-down of assets	-	-	-	-	-
Amortization	3,585,325	-	(3,585,325)	-	-
Change in accumulated surplus	\$ 2,231,829	\$ 1,212,397	\$ 893,755	\$ 4,337,981	\$ 702,399
Balance, end of year	\$ 5,847,787	\$ 15,457,658	\$ 85,728,516	\$ 107,033,961	\$ 102,695,980

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

13. Taxation - Net

	Budget 2017	2017	2016
Real property	\$ 10,071,941	\$ 10,291,202	\$ 10,252,627
Mobile home taxes	49,692	49,692	54,203
Linear property	1,094	1,094	4,843
Government grants in place of property taxes	35,742	35,742	38,351
Special assessments and local improvement taxes	3,262	3,262	3,262
	<u>10,161,731</u>	<u>10,380,992</u>	<u>10,353,286</u>
Requisitions			
Alberta School Foundation Fund	2,611,537	2,756,913	2,682,402
Non-residential School Fund	2,000	2,000	2,000
Separate School Fund	94,667	151,066	114,781
Parkland Foundation	21,435	21,250	21,435
	<u>2,729,639</u>	<u>2,931,229</u>	<u>2,820,618</u>
Available for general municipal purposes	<u>\$ 7,432,092</u>	<u>\$ 7,449,763</u>	<u>\$ 7,532,668</u>

14. Government Transfers

	Budget 2017	2017	2016
Operating			
Provincial government	951,424	704,950	744,468
Other local government	-	247,295	265,266
	<u>\$ 951,424</u>	<u>\$ 952,245</u>	<u>\$ 1,009,734</u>
Capital			
Provincial government	\$ 5,619,336	\$ 4,245,285	\$ 1,046,606
Federal government	415,294	995,124	174,000
	<u>\$ 6,034,630</u>	<u>\$ 5,240,409</u>	<u>\$ 1,220,606</u>
Total government transfers	<u>\$ 6,986,054</u>	<u>\$ 6,192,654</u>	<u>\$ 2,230,340</u>

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

15. Expenses by Object

	Budget 2017	2017	2016
Salaries and wages	\$ 5,494,245	\$ 5,331,946	\$ 5,509,439
Contracted and general services	7,968,045	6,612,996	6,680,591
Purchases from other governments	59,041	81,602	82,596
Materials, goods and utilities	2,645,492	2,338,115	2,412,353
Transfer to individuals and organizations	443,120	440,978	264,055
Bank charges and short term interest	1,500	2,861	2,529
Interest on long-term debt	20,180	20,180	23,712
Amortization	3,585,324	3,585,325	3,299,769
	\$ 20,216,947	\$ 18,414,003	\$ 18,275,044

16. Municipal Employees Pension Plans

Local Authorities Pension Plan

Certain employees of the Town are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 200,000 people and over 400 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Town contributes to the Plan at a rate of 11.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 15.84% for the excess. Employees contribute to the Plan at a rate of 10.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 14.84% for the excess.

Contributions for the year were:

	2017	2016
Employer contributions	\$ 335,915	\$ 324,481
Employee contributions	308,210	297,331
	\$ 644,125	\$ 621,812

As this is a multi-employer pension plan, these contributions are the Town's pension benefit expense. No pension liability for this type of plan is included in the Town's financial statements. The most recent valuation as at December 31, 2016 indicates a deficit of \$637 million (2015 - \$923 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

17. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Salary</u>	<u>Benefits & Allowances</u>	<u>Total 2017</u>	<u>Total 2016</u>
Councilor Barclay	6,610	514	7,124	-
Councilor Bates	22,726	2,877	25,603	24,096
Councilor Carritt	6,295	4,197	10,492	-
Councilor Rieberger	24,571	598	25,169	24,932
Councilor Bos	20,587	3,486	24,073	23,944
Councilor Hill	7,094	999	8,093	-
Councilor Taylor	16,753	3,105	19,858	27,065
Mayor Spiller	34,602	962	35,564	44,502
Councilor Kemball	17,488	424	17,912	23,051
Councilor Churchill	18,921	418	19,339	21,887
Mayor Romane	10,010	537	10,547	-
Chief Administration Officer	154,458	17,357	171,815	190,436
Designated Officers (3)	361,694	80,901	442,595	398,722

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

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment, dental coverage, vision coverage, and long and short term disability plans.

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

18. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation for the Town be disclosed as follows:

	2017	2016
Total debt limit	\$27,188,810	\$ 26,635,254
Total debt	302,700	403,600
Total debt limit available	26,886,110	26,231,654
Debt servicing limit	5,602,862	4,439,209
Debt servicing	121,080	121,080
Total debt servicing limit available	5,481,782	4,318,129

The debt limit is calculated at 1.5 times revenue of the Town (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.

19. Contingencies

The Town is a member of the Alberta Local Municipal Insurance Exchange (Munix). Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town of Innisfail is a member of the South Red Deer Regional Wastewater Commission, Central Waste Management Commission and the Mountainview Regional Water Services Commission. Under the terms of these memberships, the Town could become liable for its proportionate share of any losses incurred by the Commissions. Any liability would be accounted for in the year the losses are determined.

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

20. Commitments

The Town has a five year agreement with Wild Rose Assessment Services Inc. to provide property assessment services. The agreement term is from October 1, 2015 to September 2020. The Town is required to pay a fee of \$21.00 per parcel for the years 2018-2020.

The Town extended a previous agreement with Waste Management of Canada Corporation to provide waste disposal services from April 1, 2014 to March 31, 2018. The Town is required to pay various fees for waste and recycling collections plus roll off service hauling fees to Horn Hill and the City of Red Deer Landfill.

The Town has long term operating leases with respect to certain equipment. Future lease payments as at year end are as follows:

2018	\$	51,416
2019		<u>25,708</u>
	\$	<u>77,124</u>

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

21. Budget

The budget adopted by Council on December 12, 2016, was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to fund current year operation and capital activities. In addition, the budget expensed all tangible capital asset expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council on December 12, 2016, with adjustments as follows:

	<u>2017</u>
Operating budget surplus (deficit)	\$ 145,745
Add:	
Debenture principal payments	100,900
Net operating transfers to reserves and capital	787,456
Amortization expense	<u>(3,299,769)</u>
Budgeted excess (deficiency) of revenue over expenditures before other	<u>\$ (2,265,668)</u>
Capital budget surplus (deficit)	\$ 2,632,442
Add:	
Capital expenditures	6,600,000
Less:	
Budgeted net transfers from operations	-
Budgeted transfers from reserves	<u>(3,160,127)</u>
Budgeted capital excess (deficiency) of revenue over expenditures	<u>\$ 6,072,315</u>
Budgeted combined excess (deficiency) of revenue over expenditures	<u>\$ 3,806,647</u>

December 31, 2017

22. Segmented Information

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Protective Services

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

Transportation Services

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

Water and Wastewater Services

Water and wastewater provides drinking water to the Town's citizens and collects and treats wastewater. The Town processes and cleans sewage and ensures the water system meets all Provincial standards.

Waste Management Services

Waste management provides collection disposal and recycling programs.

Planning and Development

The planning department provides a number of services including town planning and enforcement of building and construction codes and review of all property development plans through its application process.

Recreation and Parks

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

Public Health and Welfare

This service area provides and administers community support programs.

General Government

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

21. Segmented Information continued

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

22. Segmented Information (continued)

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2017 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,449,763	\$ 7,449,763
Government transfers for operating	459,544	42,000	-	-	-	195,924	254,777	-	952,245
Government transfers for capital	-	-	1,001,269	-	-	-	-	4,239,139	5,240,408
Sales and user fees	76,094	10,950	5,203,831	830,683	118,331	404,154	75,544	11,832	6,731,419
Franchises and concessions	-	-	-	-	-	-	-	1,227,215	1,227,215
Investment income	-	-	-	-	-	-	-	216,781	216,781
Fines and costs	118,686	-	65,836	-	-	-	-	110,859	295,381
Rental revenue	1,200	7,101	-	-	6,297	348,764	-	10,655	374,017
Licences and permits	29,749	-	-	-	52,304	-	720	74,530	157,303
Other	20	-	13,728	-	19,157	16,957	1,400	40,490	91,752
Gain on disposal of assets	-	15,700	-	-	-	-	-	-	15,700
	<u>685,293</u>	<u>75,751</u>	<u>6,284,664</u>	<u>830,683</u>	<u>196,089</u>	<u>965,799</u>	<u>332,441</u>	<u>13,381,264</u>	<u>22,751,984</u>
Expenses									
Salaries and wages	593,768	1,065,521	674,596	97,777	130,924	1,635,120	147,769	986,476	5,331,951
Contracted and general services	1,368,425	438,128	3,452,845	702,357	127,486	331,061	37,138	155,556	6,612,996
Purchases from other governments	-	-	-	8,848	-	-	-	72,754	81,602
Materials, goods and utilities	134,381	611,997	202,712	6,148	98,278	645,915	24,143	614,537	2,338,111
Transfers to individuals and organizations	-	42,000	-	-	-	227,742	171,236	-	440,978
Bank charges and short- term interests	-	-	-	-	-	-	-	2,860	2,860
Interest on long-term debt	-	-	-	-	20,180	-	-	-	20,180
Amortization	241,114	1,900,817	646,581	-	-	763,855	-	32,958	3,585,325
	<u>2,337,688</u>	<u>4,058,463</u>	<u>4,976,734</u>	<u>815,130</u>	<u>376,868</u>	<u>3,603,693</u>	<u>380,286</u>	<u>1,865,141</u>	<u>18,414,003</u>
Net surplus (deficit)	<u>\$ (1,652,395)</u>	<u>\$ (3,982,712)</u>	<u>\$ 1,307,930</u>	<u>\$ 15,553</u>	<u>\$ (180,779)</u>	<u>\$ (2,637,894)</u>	<u>\$ (47,845)</u>	<u>\$ 11,516,123</u>	<u>\$ 4,337,981</u>

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

22. Segmented Information (continued)

For the year ended December 31	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2016 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,532,668	\$ 7,532,668
Government transfers for operating	456,744	42,000	-	-	-	221,089	254,901	35,000	1,009,734
Government transfers for capital	-	-	517,143	-	-	703,463	-	-	1,220,606
Sales and user fees	107,852	26,800	5,235,748	817,097	380,480	310,447	74,275	8,610	6,961,309
Franchises and concessions	-	-	-	-	-	-	-	1,080,905	1,080,905
Investment income	-	-	-	-	-	-	-	181,330	181,330
Fines and costs	111,587	-	64,612	-	-	-	-	112,907	289,106
Rentals	1,300	4,453	-	-	14,903	285,083	-	13,854	319,593
Licences and permits	33,404	-	-	-	165,796	-	1,110	91,424	291,734
Other	-	-	13,180	-	7,065	9,388	-	31,071	60,704
Gain on disposal of assets	-	29,754	-	-	-	-	-	-	29,754
	<u>710,887</u>	<u>103,007</u>	<u>5,830,683</u>	<u>817,097</u>	<u>568,244</u>	<u>1,529,470</u>	<u>330,286</u>	<u>9,087,769</u>	<u>18,977,443</u>
Expenses									
Salaries and wages	601,105	1,063,902	678,728	101,591	120,150	1,794,128	164,189	985,646	5,509,439
Contracted and general services	1,313,591	311,849	3,609,759	729,733	203,071	333,170	25,036	154,382	6,680,591
Purchases from other governments	-	-	33,060	-	-	-	-	49,536	82,596
Materials, goods and utilities	127,513	731,587	245,935	5,863	66,577	660,678	29,562	544,638	2,412,353
Transfers to individuals and organizations	-	42,000	-	-	-	38,046	184,009	-	264,055
Bank charges and short-term interest	-	-	-	-	-	-	-	2,530	2,530
Interest on long-term debt	-	-	-	-	23,712	-	-	-	23,712
Amortization	213,317	1,847,020	626,308	-	-	578,822	-	34,301	3,299,768
Other	-	-	-	-	-	-	-	-	-
	<u>2,255,526</u>	<u>3,996,358</u>	<u>5,193,790</u>	<u>837,187</u>	<u>413,510</u>	<u>3,404,844</u>	<u>402,796</u>	<u>1,771,033</u>	<u>18,275,044</u>
Net surplus (deficit)	<u>\$ (1,544,639)</u>	<u>\$ (3,893,351)</u>	<u>\$ 636,893</u>	<u>\$ (20,090)</u>	<u>\$ 154,734</u>	<u>\$ (1,875,374)</u>	<u>\$ (72,510)</u>	<u>\$ 7,316,736</u>	<u>\$ 702,399</u>

Town of Innisfail
Notes to Consolidated Financial Statements

December 31, 2017

23. Comparative Figures

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

24. Approval of Financial Statements

Council and Management approved these financial statements.
