

Town of Innisfail  
Consolidated Financial Statements  
For the year ended December 31, 2019

Town of Innisfail  
Consolidated Financial Statements  
For the year ended December 31, 2019

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## Independent Auditor's Report

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To the Mayor and Council of the Town of Innisfail

### Opinion

We have audited the consolidated financial statements of Town of Innisfail and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

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## Independent Auditor's Report, continued

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- obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants,  
Red Deer, Alberta  
May 11, 2020

Town of Innisfail  
Consolidated Statement of Financial Position

December 31	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents (Note 1)	\$ 8,264,280	\$ 11,075,920
Short-term investment (Note 2)	7,619,710	7,491,504
Taxes receivable (Note 3)	394,960	519,201
Accounts receivable (Note 4)	2,209,675	1,817,319
Inventory held for resale (Note 5)	4,694,746	4,731,124
	23,183,371	25,635,068
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,229,173	951,778
Employee benefit obligation (Note 6)	189,363	201,229
Deposit liabilities	187,805	172,805
Deferred revenue (Note 7)	896,475	2,391,934
Long-term debt (Note 8)	100,900	201,800
	2,603,716	3,919,546
Net financial assets	20,579,655	21,715,522
<b>Non-financial assets</b>		
Tangible capital assets (Note 9)	89,656,145	86,091,305
Prepaid expenses	218,617	155,638
	89,874,762	86,246,943
Accumulated surplus (Note 11)	\$ 110,454,417	\$ 107,962,465
Debenture debt limits (Note 18) Contingencies (Note 19) <b>Commitments</b> (Note 20)		

Town of Innisfail  
Consolidated Statement of Operations

For the year ended December 31	Budget 2019	2019	2018
<b>Revenue</b>			
Net municipal taxes (Note 13)	\$ 7,691,406	\$ 7,672,046	\$ 7,551,450
Government transfers for operating (Note 14)	1,139,003	1,201,143	1,146,104
Sales and user fees	7,258,297	6,342,798	6,491,867
Rental revenue	344,400	385,584	356,665
Franchises and concessions	1,574,565	1,536,092	1,185,079
Investment income	210,000	415,616	344,637
Fines and costs	338,500	280,301	290,289
Other	63,965	69,525	46,662
Gain on disposal of assets	-	-	79,909
Licenses and permits	230,400	305,642	438,816
	<u>18,850,536</u>	<u>18,208,747</u>	<u>17,931,478</u>
<b>Expenditures (Note 15)</b>			
Legislative	252,087	251,502	236,949
Administration	1,858,772	1,926,061	1,840,123
Protective services	2,537,171	2,285,161	2,409,386
Transportation services	4,427,487	4,456,496	4,311,318
Water and wastewater	5,789,768	5,628,270	5,135,063
Waste management	824,741	780,587	794,174
Planning and development	386,205	457,145	515,277
Recreation and parks	4,262,870	3,866,203	3,976,507
Public health and welfare	455,557	451,517	426,998
Loss on disposal of tangible capital assets	-	720,253	-
	<u>20,794,658</u>	<u>20,823,195</u>	<u>19,645,795</u>
Deficiency of revenue over expenditures - before other	(1,944,122)	(2,614,448)	(1,714,317)
<b>Other</b>			
Government transfers for capital (Note 14)	2,315,338	5,106,400	2,642,821
Excess of revenue over expenditures	<u>371,216</u>	<u>2,491,952</u>	<u>928,504</u>
Accumulated surplus, beginning of the year	107,962,465	107,962,465	107,033,961
Accumulated surplus, end of year	<u>\$ 108,333,681</u>	<u>\$ 110,454,417</u>	<u>\$ 107,962,465</u>

Town of Innisfail  
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2019	2019	2018
Excess of revenue over expenditures	371,216	2,491,952	928,504
Acquisition of tangible capital assets	\$ (5,838,521)	\$ (7,908,557)	\$ (4,060,910)
Amortization of tangible capital assets	3,623,463	3,623,464	3,640,786
Net (gain) loss on sale of tangible capital assets	-	720,253	(79,909)
Proceeds on sale of tangible capital assets	-	-	137,244
	(1,843,842)	(1,072,888)	565,715
Change in prepaid expenses	-	(62,979)	(77,387)
Net change in net financial assets	(1,843,842)	(1,135,867)	488,328
Net financial assets, beginning of year,	21,715,522	21,715,522	21,227,194
Net financial assets, end of year	\$ 19,871,680	\$ 20,579,655	\$ 21,715,522

Town of Innisfail  
Consolidated Statement of Cash Flows

For the year ended December 31	2019	2018
Operating transactions		
Excess of revenue over expenditures	\$ 2,491,952	\$ 928,504
Items not involving cash		
Amortization	3,623,464	3,640,786
Net gain on disposal of tangible capital assets	720,253	(79,909)
Changes in non-cash operating balances		
Taxes receivable	124,241	88,332
Accounts receivable	(392,356)	(376,109)
Inventory held for resale	36,378	242,680
Prepaid expenses	(62,979)	(77,387)
Accounts payable and accrued liabilities	277,395	(366,246)
Employee benefit obligation	(11,866)	25,593
Deposit liabilities	15,000	54,205
Deferred revenue	(1,495,459)	988,003
	5,326,023	5,068,452
Capital transactions		
Acquisition of tangible capital assets	(7,908,557)	(4,060,910)
Proceeds on sale of tangible capital assets	-	137,244
Investing transactions		
Change of investments	(128,206)	(3,643,131)
Change in restricted cash balances	1,495,459	(1,014,159)
	1,367,253	(4,657,290)
Financing transactions		
Repayment of long-term debt	(100,900)	(100,900)
	(1,316,181)	(3,613,404)
Net change in cash and cash equivalents	(1,316,181)	(3,613,404)
Cash and cash equivalents, beginning of year	8,683,986	12,297,390
Cash and cash equivalents, end of year	\$ 7,367,805	\$ 8,683,986
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 8,264,280	\$ 11,075,920
Less: restricted (Note 1)	(896,475)	(2,391,934)
	\$ 7,367,805	\$ 8,683,986

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Town of Innisfail  
Summary of Significant Accounting Policies

December 31, 2019

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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, 2019

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.

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Town of Innisfail  
Summary of Significant Accounting Policies

December 31, 2019

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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.

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Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

1. Cash and Cash Equivalents

	2019	2018
Current account	\$ 8,264,280	\$ 11,075,920

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.

	2019	2018
MSI and Building Canada grant	\$ 482,746	\$ 2,055,173
Federal Gas Tax	83,577	87,523
Other	330,152	249,238
	\$ 896,475	\$ 2,391,934

2. Short-term Investments

	2019	2018
Guaranteed investment certificates, bearing interest at rates of 1.780% to 2.70% and maturing on dates ranging from April 2020 through September 2021	\$ 7,619,710	\$ 7,491,504

3. Taxes Receivable

	2019	2018
Current taxes and grants in place	\$ 192,242	\$ 316,483
Non-current taxes and grants in place	202,718	202,718
	\$ 394,960	\$ 519,201

4. Accounts Receivable

	2019	2018
Trade receivables	\$ 2,039,607	\$ 1,692,879
Accrued interest receivable	170,068	124,440
	\$ 2,209,675	\$ 1,817,319

Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

5. Inventories for Resale

	2019	2018
Land held for resale	\$ 4,694,746	\$ 4,731,124

6. Employee Benefit Obligation

	2019	2018
Accrued vacation pay	\$ 143,082	\$ 142,984
Accrued flex time benefit	46,281	58,245
	\$ 189,363	\$ 201,229

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

7. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI & Building Canada grant	\$ 2,055,171	3,428,380	(5,004,753)	\$ 478,798
Red Deer County grant	-	428,030	(428,030)	-
Policing grant	-	362,776	(362,776)	-
CFSA	-	43,191	(43,191)	-
Community Capacity grant	-	207,592	(207,592)	-
F.C.S.S grant	-	5,000	(5,000)	-
Cemetery assistance grant	87,524	-	-	87,524
Federal Gas Tax	249,239	337,115	(256,201)	330,153
Other	-	-	-	-
	\$ 2,391,934	4,812,084	(6,307,543)	\$ 896,475

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.

Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

8. Long-Term Debt

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

	2019	2018
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, 2019 was 3.95% (2018 - 3.95%))	100,900	201,800

Principal and interest payments relating to net long term debt of \$100,900 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2020	\$ 100,900	\$ 5,045	\$ 105,945

Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

9. Tangible Capital Assets

								2019
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 3,891,409	\$ 3,246,110	\$ 24,488,446	\$ 95,765,939	\$ 4,240,657	\$ 5,745,849	\$ 5,214,360	\$142,592,770
Additions		1,087,466	35,900	3,034,974	657,353	1,083,773	2,009,091	7,908,557
Change in work in progress	-	-	-	1,640,601	-	-	(1,640,601)	-
Write-downs & disposals	-	(44,823)	-	(1,381,042)	-	(640,130)	-	(2,065,995)
Cost, end of year	<u>\$ 3,891,409</u>	<u>\$ 4,288,753</u>	<u>\$ 24,524,346</u>	<u>\$ 99,060,472</u>	<u>\$ 4,898,010</u>	<u>\$ 6,189,492</u>	<u>\$ 5,582,850</u>	<u>\$148,435,332</u>
Accumulated amortization, beginning of year	\$ -	\$ 1,432,859	\$ 8,303,071	\$ 41,270,912	\$ 1,600,818	\$ 3,893,805	\$ -	\$ 56,501,465
Amortization	-	127,858	573,056	2,194,971	319,929	407,650	-	3,623,464
Disposals	-	(37,393)	-	(828,784)	-	(479,565)	-	(1,345,742)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 1,523,324</u>	<u>\$ 8,876,127</u>	<u>\$ 42,637,099</u>	<u>\$ 1,920,747</u>	<u>\$ 3,821,890</u>	<u>\$ -</u>	<u>\$ 58,779,187</u>
Net carrying amount, end of year	<u>\$ 3,891,409</u>	<u>\$ 2,765,429</u>	<u>\$ 15,648,219</u>	<u>\$ 56,423,373</u>	<u>\$ 2,977,263</u>	<u>\$ 2,367,602</u>	<u>\$ 5,582,850</u>	<u>\$ 89,656,145</u>

Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

9. Tangible Capital Assets (continued)

								2018
	Land	Land	Buildings	Engineered	Machinery	Vehicles	Work in	Total
	Improvements	Improvements		Structures	and		Progress	
					Equipment			
Cost, beginning of year	\$ 3,891,409	\$ 3,246,110	\$ 24,365,911	\$ 95,763,904	\$ 3,631,735	\$ 5,655,581	\$ 2,469,682	\$139,024,332
Additions	-	-	122,535	2,035	608,922	582,740	2,744,678	4,060,910
Write-downs	-	-	-	-	-	(492,472)	-	(492,472)
Cost, end of year	<u>\$ 3,891,409</u>	<u>\$ 3,246,110</u>	<u>\$ 24,488,446</u>	<u>\$ 95,765,939</u>	<u>\$ 4,240,657</u>	<u>\$ 5,745,849</u>	<u>\$ 5,214,360</u>	<u>\$142,592,770</u>
Accumulated amortization, beginning of year	-	\$ 1,239,272	\$ 7,714,690	\$ 39,112,738	\$ 1,257,421	\$ 3,971,695	-	\$ 53,295,816
Amortization	-	193,587	588,381	2,158,174	343,397	357,247	-	3,640,786
Write-downs	-	-	-	-	-	(435,137)	-	(435,137)
Accumulated amortization, end of year	<u>-</u>	<u>\$ 1,432,859</u>	<u>\$ 8,303,071</u>	<u>\$ 41,270,912</u>	<u>\$ 1,600,818</u>	<u>\$ 3,893,805</u>	<u>-</u>	<u>\$ 56,501,465</u>
Net carrying amount, end of year	<u>\$ 3,891,409</u>	<u>\$ 1,813,251</u>	<u>\$ 16,185,375</u>	<u>\$ 54,495,027</u>	<u>\$ 2,639,839</u>	<u>\$ 1,852,044</u>	<u>\$ 5,214,360</u>	<u>\$ 86,091,305</u>

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Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

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10. Equity in Tangible Capital Assets

	<u>2019</u>	<u>2018</u>
Tangible capital assets	\$ 148,435,332	\$ 142,592,770
Accumulated amortization	<u>(58,779,187)</u>	<u>(56,501,465)</u>
	<u>\$ 89,656,145</u>	<u>\$ 86,091,305</u>

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Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

11. Accumulated Surplus

	2019	2018
Equity in tangible capital assets	\$ 89,656,145	\$ 86,091,305
Unrestricted surplus	4,464,235	5,519,698
	94,120,380	91,611,003
Restricted surplus		
General operating	339,134	338,991
General capital	2,319,449	2,283,724
Tournament building	50,000	50,000
Trails/pathways	138,048	138,048
Skatepark	155,960	155,960
Handivan	16,403	10,000
Fire services	184,482	503,451
Public works	252,464	235,075
Baseball diamonds	43,856	43,856
Community bus	125,405	115,405
Water system	1,147,002	1,083,867
Wastewater treatment	2,107,714	2,060,267
Utilities stabilization	3,553,089	3,564,474
Solid Waste	77,073	65,182
Cemetery	96,934	100,059
Land Acquisition/Servicing	2,174,284	2,328,399
In Lieu (Wes Leslie)	65,361	65,362
In lieu (Napwest)	6,800	6,800
Offsite levy	333,105	333,105
Woodlands area	496,673	496,673
Campground	93,991	88,991
Recreation and culture	816,936	901,038
Curling rink	27,497	27,497
Pool	108,323	27,689
Parks equipment	126,668	89,269
Library	174,275	199,275
Centennial park	123,988	123,988
Joint use center	73,669	64,116
Bylaw Mobile Equipment	16,773	1,773
Utility Equipment	313,150	263,150
Waste Transfer Upgrade	50,000	50,000
Arena	433,479	268,925
Playground	125,238	100,238
Emergency Management	18,300	18,300
Snow Removal	148,514	148,515
	16,334,037	16,351,462
	\$ 110,454,417	\$ 107,962,465

December 31, 2019

12. Change in Accumulated Surplus

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2019	2018
Balance, beginning of year	\$ 5,519,698	\$ 16,351,462	\$ 86,091,305	\$ 107,962,465	\$ 107,033,961
Excess of revenue over expenses	2,491,952	-	-	2,491,952	928,504
Net operating transfers to restricted surplus	(1,358,643)	1,358,643	-	-	-
Capital transfers from restricted surplus	1,376,067	(1,376,067)	-	-	-
Acquisition of capital	(7,908,557)	-	7,908,557	-	-
Disposals and write-down of assets	720,253	-	(720,253)	-	-
Amortization	3,623,464	-	(3,623,464)	-	-
Change in accumulated surplus	\$ (1,055,464)	\$ (17,424)	\$ 3,564,840	\$ 2,491,952	\$ 928,504
Balance, end of year	\$ 4,464,234	\$ 16,334,038	\$ 89,656,145	\$ 110,454,417	\$ 107,962,465

Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

13. Taxation - Net

	Budget 2019	2019	2018
Real property	\$ 10,484,246	\$10,495,557	\$ 10,317,491
Mobile home taxes	49,984	49,984	48,979
Linear property	142,301	142,301	139,866
Government grants in place of property taxes	35,794	35,794	35,742
Special assessments and local improvement taxes	-	-	3,262
	<u>10,712,325</u>	<u>10,723,636</u>	<u>10,545,340</u>
Requisitions			
Alberta School Foundation Fund	2,878,020	2,856,740	2,807,948
Non-residential School Fund	2,000	2,000	2,000
Separate School Fund	119,464	164,733	162,020
Parkland Foundation	21,435	21,464	21,316
Designated Industrial Property	-	6,653	606
	<u>3,020,919</u>	<u>3,051,590</u>	<u>2,993,890</u>
Available for general municipal purposes	<u>\$ 7,691,406</u>	<u>\$ 7,672,046</u>	<u>\$ 7,551,450</u>

14. Government Transfers

	Budget 2019	2019	2018
Operating			
Provincial government	1,139,003	773,113	708,774
Other local government	-	428,030	437,330
	<u>\$ 1,139,003</u>	<u>\$ 1,201,143</u>	<u>\$ 1,146,104</u>
Capital			
Provincial government	\$ 2,315,338	\$ 5,007,846	\$ 2,201,171
Federal government	-	98,554	441,650
	<u>\$ 2,315,338</u>	<u>\$ 5,106,400</u>	<u>\$ 2,642,821</u>
Total government transfers	<u>\$ 3,454,341</u>	<u>\$ 6,307,543</u>	<u>\$ 3,788,925</u>

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Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

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15. Expenses by Object

	Budget 2019	2019	2018
Salaries and wages	\$ 6,440,294	\$ 6,208,785	\$ 5,734,468
Contracted and general services	7,339,377	6,951,049	7,120,333
Purchases from other governments	54,000	54,543	108,826
Materials, goods and utilities	2,786,274	2,706,767	2,573,837
Transfer to individuals and organizations	538,160	546,430	450,166
Bank charges and short term interest	3,000	1,815	1,639
Interest on long-term debt	10,090	10,090	15,740
Amortization	3,623,463	3,623,464	3,640,786
Write-down of tangible capital assets	-	720,252	-
	<u>\$ 20,794,658</u>	<u>\$ 20,823,195</u>	<u>\$ 19,645,795</u>

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December 31, 2019

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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 265,000 people and over 421 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 9.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess. Employees contribute to the Plan at a rate of 8.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.84% for the excess.

Contributions for the year were:

	2019	2018
Employer contributions	\$ 337,257	\$ 327,229
Employee contributions	304,874	358,811
	<u>\$ 642,131</u>	<u>\$ 686,040</u>

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, 2018 indicates a surplus of \$3,469 million (2017 surplus - \$4,836 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

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 &amp; Allowances</u>	<u>Total 2019</u>	<u>Total 2018</u>
Councilor Barclay	26,617	2,480	29,097	25,549
Councilor Bates	24,507	1,366	25,873	27,213
Councilor Carritt	20,745	4,145	24,890	27,289
Councilor Rieberger	22,425	965	23,390	24,808
Councilor Bos	20,955	4,156	25,111	27,559
Councilor Hill	24,265	4,311	28,576	26,918
Mayor Romane	43,595	3,216	46,811	43,304
Chief Administration Officer	193,008	35,281	228,289	225,862
Designated Officers (3)	409,294	82,142	491,436	469,810

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.

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:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$36,944,275	\$ 31,409,423
Total debt	100,900	201,800
Total debt limit available	<u>36,843,375</u>	<u>31,207,623</u>
Debt servicing limit	6,157,379	5,234,904
Debt servicing	110,990	116,640
Total debt servicing limit available	<u>6,046,389</u>	<u>5,118,264</u>

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.

December 31, 2019

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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.

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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 entered into a new contract to provide waste disposal services with E360S (CAN-PAK) from April 1st to March 31st, 2020. 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:

2020	\$	47,827
2021		47,827
2022		47,827
2023		10,801

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Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

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21. Budget

The budget adopted by Council on December 11, 2018, 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 11, 2018, with adjustments as follows:

	<u>2019</u>
Operating budget surplus (deficit)	\$ 109,630
Add:	
Debenture principal payments	100,900
Net operating transfers to reserves and capital	3,093,324
Amortization expense	<u>(3,623,463)</u>
Budgeted excess (deficiency) of revenue over expenditures before other	<u>\$ (319,609)</u>
Capital budget surplus (deficit)	\$ (3,600,343)
Add:	
Capital expenditures	5,838,521
Less:	
Budgeted net transfers from operations	-
Budgeted transfers from reserves	<u>(1,547,353)</u>
Budgeted capital excess (deficiency) of revenue over expenditures	<u>\$ 690,825</u>
Budgeted combined excess (deficiency) of revenue over expenditures	<u>\$ 371,216</u>

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December 31, 2019

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## 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.

December 31, 2019

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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.

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Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

22. Segmented Information (continued)

For the year ended December 31	Protective Services	Transportatio n Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2019 Total
<b>Revenue</b>									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,672,045	\$ 7,672,045
Government transfers for operating	464,776	42,000	-	-	-	394,685	255,783	43,899	1,201,143
Government transfers for capital	-	1,337,387	-	-	-	898,748	-	-	2,236,135
Sales and user fees	135,549	60,179	4,945,375	826,173	27,796	279,093	78,539	9,237	6,361,941
Franchises and concessions	-	-	-	-	-	-	-	1,536,092	1,536,092
Investment income	-	-	1,593,142	-	-	-	-	415,616	2,008,758
Fines and costs	124,278	-	49,064	-	-	-	-	106,958	280,300
Rental revenue	-	4,908	-	-	2,199	360,792	-	8,639	376,538
Licences and permits	28,695	-	-	-	187,678	-	979	88,290	305,642
Other	10,128	1,228,023	14,859	-	17,066	42,933	-	23,544	1,336,553
	<u>763,426</u>	<u>2,672,497</u>	<u>6,602,440</u>	<u>826,173</u>	<u>234,739</u>	<u>1,976,251</u>	<u>335,301</u>	<u>9,904,320</u>	<u>23,315,147</u>
<b>Expenses</b>									
Salaries and wages	806,836	1,162,932	773,979	94,968	183,449	1,747,874	203,911	1,234,836	6,208,785
Contracted and general services	1,279,349	547,648	3,758,128	669,104	200,181	313,144	35,021	148,474	6,951,049
Purchases from other governments	-	-	-	5,161	-	-	-	49,382	54,543
Materials, goods and utilities	145,098	703,037	316,489	11,354	64,923	742,862	28,473	694,531	2,706,767
Transfers to individuals and organizations	-	89,660	-	-	-	272,658	184,112	-	546,430
Bank charges and short- term interests	-	-	-	-	-	-	-	1,815	1,815
Interest on long-term debt	-	-	-	-	10,090	-	-	-	10,090
Amortization	166,929	1,840,167	779,700	-	-	788,168	-	48,499	3,623,463
Loss on sale of capital assets	-	720,253	-	-	-	-	-	-	720,253
	<u>2,398,212</u>	<u>5,063,697</u>	<u>5,628,296</u>	<u>780,587</u>	<u>458,643</u>	<u>3,864,706</u>	<u>451,517</u>	<u>2,177,537</u>	<u>20,823,195</u>
<b>Net surplus (deficit)</b>	<b>\$ (1,634,786)</b>	<b>\$ (2,391,200)</b>	<b>\$ 974,144</b>	<b>\$ 45,586</b>	<b>\$ (223,904)</b>	<b>\$ (1,888,455)</b>	<b>\$ (116,216)</b>	<b>\$ 7,726,783</b>	<b>\$ 2,491,952</b>

Town of Innisfail  
Notes to Consolidated Financial Statements

December 31, 2019

22. Segmented Information (continued)

For the year ended December 31	Protective Services	Transportatio n Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2018 Total
<b>Revenue</b>									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,551,451	\$ 7,551,451
Government transfers for operating	461,576	42,000	-	-	-	389,115	253,413	-	1,146,104
Government transfers for capital	-	1,542,578	972,619	-	-	21,745	-	96,379	2,633,321
Sales and user fees	149,588	70	5,027,310	843,802	77,245	292,885	104,847	11,612	6,507,359
Franchises and concessions	-	-	-	-	-	-	-	1,185,079	1,185,079
Investment income	-	-	-	-	-	-	-	344,637	344,637
Fines and costs	122,845	-	52,256	-	-	-	-	115,188	290,289
Rentals	-	3,321	-	-	7,297	321,784	-	8,769	341,171
Licences and permits	28,366	-	-	-	337,770	-	720	71,960	438,816
Other	-	9,500	17,049	-	14,157	3,429	2,500	9,528	56,163
Gain on disposal of assets	-	79,909	-	-	-	-	-	-	79,909
	<u>762,375</u>	<u>1,677,378</u>	<u>6,069,234</u>	<u>843,802</u>	<u>436,469</u>	<u>1,028,958</u>	<u>361,480</u>	<u>9,394,603</u>	<u>20,574,299</u>
<b>Expenses</b>									
Salaries and wages	692,229	1,123,135	715,696	94,427	114,648	1,693,446	175,248	1,125,643	5,734,472
Contracted and general services	1,373,495	416,568	3,461,552	685,462	353,726	634,940	41,793	152,797	7,120,333
Purchases from other governments	-	-	-	7,563	-	-	-	101,263	108,826
Materials, goods and utilities	145,692	764,697	275,657	6,722	34,998	645,460	37,957	662,650	2,573,833
Transfers to individuals and organizations	-	42,000	-	-	-	236,166	172,000	-	450,166
Bank charges and short- term interest	-	-	-	-	-	-	-	1,638	1,638
Interest on long-term debt	-	-	-	-	15,740	-	-	-	15,740
Amortization	253,223	1,909,665	682,158	-	-	762,660	-	33,081	3,640,787
Other	-	-	-	-	-	-	-	-	-
	<u>2,464,639</u>	<u>4,256,065</u>	<u>5,135,063</u>	<u>794,174</u>	<u>519,112</u>	<u>3,972,672</u>	<u>426,998</u>	<u>2,077,072</u>	<u>19,645,795</u>
<b>Net surplus (deficit)</b>	<b>\$ (1,702,264)</b>	<b>\$ (2,578,687)</b>	<b>\$ 934,171</b>	<b>\$ 49,628</b>	<b>\$ (82,643)</b>	<b>\$ (2,943,714)</b>	<b>\$ (65,518)</b>	<b>\$ 7,317,531</b>	<b>\$ 928,504</b>

December 31, 2019

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23. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy has increased.

If the impacts of COVID-19 continue there could be further impact on the Municipality and its major customers, suppliers and other third party businesses and Municipality associates that could impact the time and amounts realized of the Municipality's assets and future profitability. At this time, the full potential impact of COVID-19 on the entity is not known.

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24. Comparative Figures

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

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25. Approval of Financial Statements

Council and Management approved these financial statements.

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