TOWN OF INNISFAIL

Consolidated Financial Statements

For the year ended December 31, 2018

Town of Innisfail
Consolidated Financial Statements
For the year ended December 31, 2018

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Tel: 403-342-2500
Fax: 403-343-3070
0175
www.bdo.ca

BDO Canada LLP
Millennium Centre
600, 4909 - 49th Street
Red Deer AB T4N 1V1 Canada

Independent Auditor's Report

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, 2018, 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, 2018 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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- 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
April 11, 2019

Town of Innisfail
Consolidated Statement of Financial Position

December 31	2018	2017
Financial assets		
Cash and cash equivalents (Note 1)	$ 11,075,920	$ 13,675,165
Short-term investment (Note 2)	7,491,504	3,848,373
Taxes receivable (Note 3)	519,201	607,533
Accounts receivable (Note 4)	1,817,319	1,441,210
Inventory held for resale (Note 5)	4,731,124	4,973,804
	25,635,068	24,546,085
Liabilities		
Accounts payable and accrued liabilities	951,778	1,318,024
Employee benefit obligation (Note 6)	201,229	175,636
Deposit liabilities	172,805	118,600
Deferred revenue (Note 7)	2,391,934	1,403,931
Long-term debt (Note 8)	201,800	302,700
	3,919,546	3,318,891
Net financial assets	21,715,522	21,227,194
Non-financial assets		
Tangible capital assets (Note 9)	86,091,305	85,728,516
Prepaid expenses	155,638	78,251
	86,246,943	85,806,767
Accumulated surplus (Note 11)	$ 107,962,465	$ 107,033,961

Debenture debt limits (Note 18)
Contingencies (Note 19)
Commitments (Note 20)

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

Town of Innisfail
Consolidated Statement of Operations

For the year ended December 31	Budget 2018	2018	2017
Revenue			
Net municipal taxes (Note 13)	$ 7,498,062	$ 7,551,450	$ 7,449,763
Government transfers for operating (Note 14)	957,234	1,146,104	952,245
Sales and user fees	7,171,804	6,501,367	6,713,369
Rental revenue	347,400	356,665	392,065
Franchises and concessions	1,244,004	1,185,079	1,227,215
Investment income	180,000	344,637	216,781
Fines and costs	260,050	290,289	295,381
Other	63,965	46,662	91,752
Gain on disposal of assets	-	79,909	15,700
Licenses and permits	230,400	438,816	157,304
	17,952,919	17,940,978	17,511,575
Expenditures (Note 15)			
Legislative	240,336	236,949	274,274
Administration	1,721,610	1,840,123	1,590,866
Protective services	2,365,334	2,409,386	2,337,687
Transportation services	4,395,955	4,311,318	4,058,462
Water and wastewater	5,713,383	5,135,063	4,976,742
Waste management	840,420	794,174	815,129
Planning and development	388,724	515,277	374,068
Recreation and parks	3,797,268	3,976,507	3,606,490
Public health and welfare	428,089	426,998	380,285
	19,891,119	19,645,795	18,414,003
Deficiency of revenue over expenditures - before other	(1,938,200)	(1,704,817)	(902,428)
Other			
Government transfers for capital (Note 14)	4,060,000	2,633,321	5,240,409
Excess of revenue over expenditures	2,121,800	928,504	4,337,981
Accumulated surplus, beginning of the year	107,033,961	107,033,961	102,695,980
Accumulated surplus, end of year	$ 109,155,761	$ 107,962,465	$ 107,033,961

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 2018	2018	2017
Excess of revenue over expenditures	2,121,800	**928,504**	4,337,981
Acquisition of tangible capital assets	$ (5,084,566)	**$ (4,060,910)**	$ (4,479,080)
Amortization of tangible capital assets	3,640,786	**3,640,786**	3,585,325
Net (gain) loss on sale of tangible capital assets	-	**(79,909)**	(15,700)
Proceeds on sale of tangible capital assets	-	**137,244**	15,700
	678,020	**565,715**	3,444,226
Change in prepaid expenses	-	**(77,387)**	(76,258)
Net change in net financial assets	678,020	**488,328**	3,367,968
Net financial assets, beginning of year,	21,227,194	**21,227,194**	17,859,226
Net financial assets, end of year	$ 21,905,214	**$ 21,715,522**	$ 21,227,194

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

Town of Innisfail
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Excess of revenue over expenditures	$ 928,504	$ 4,337,981
Items not involving cash		
Amortization	3,640,786	3,585,325
Net gain on disposal of tangible capital assets	(79,909)	(15,700)
Changes in non-cash operating balances		
Taxes receivable	88,332	(96,982)
Accounts receivable	(376,109)	(328,295)
Inventory held for resale	242,680	112,517
Prepaid expenses	(77,387)	(76,258)
Accounts payable and accrued liabilities	(366,246)	288,944
Employee benefit obligation	25,593	15,523
Deposit liabilities	54,205	4,680
Deferred revenue	988,003	(983,722)
	5,068,452	6,844,013
Capital transactions		
Acquisition of tangible capital assets	(4,060,910)	(4,479,080)
Proceeds on sale of tangible capital assets	137,244	15,700
Investing transactions		
Change of investments	(3,643,131)	(96,821)
Change in restricted cash balances	146,291	895,491
	(3,496,840)	798,670
Financing transactions		
Repayment of long-term debt	(100,900)	(100,900)
Net change in cash and cash equivalents	(2,452,954)	3,078,403
Cash and cash equivalents, beginning of year	12,297,390	9,218,987
Cash and cash equivalents, end of year	$ 9,844,436	$ 12,297,390
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	$ 11,075,920	$ 13,675,165
Less: restricted (Note 1)	(1,231,484)	(1,377,775)
	$ 9,844,436	$ 12,297,390

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

December 31, 2018

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.

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.

December 31, 2018

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.

December 31, 2018

1. Cash and Cash Equivalents

	2018	2017
Current account	$ 11,075,920	$ 13,675,165

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.

	2018	2017
MSI and Building Canada grant	$ 1,143,961	$ 1,281,395
FGTF grant	87,523	96,380
	$ 1,231,484	$ 1,377,775

2. Short-term Investments

	2018	2017
Guaranteed investment certificates, bearing interest at rates of 1.61% to 2.70% and maturing on dates ranging from March 2019 through September 2021	$ 7,491,504	$ 3,848,373

3. Taxes Receivable

	2018	2017
Current taxes and grants in place	$ 316,483	$ 398,600
Non-current taxes and grants in place	202,718	208,933
	$ 519,201	$ 607,533

4. Accounts Receivable

	2018	2017
Trade receivables	$ 1,692,879	$ 1,393,764
Accrued interest receivable	124,440	47,446
	$ 1,817,319	$ 1,441,210

5. Inventories for Resale

	2018	2017
Land held for resale	$ 4,731,124	$ 4,973,804

6. Employee Benefit Obligation

	2018	2017
Accrued vacation pay	$ 142,984	$ 127,609
Accrued flex time benefit	58,245	48,027
	$ 201,229	$ 175,636

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	$ 1,281,395	2,943,702	(2,169,926)	$ 2,055,171
Red Deer County grant	-	437,330	(437,330)	-
Policing grant	-	362,776	(362,776)	-
CFSA Community Capacity grant	-	43,191	(43,191)	-
F.C.S.S grant	-	207,592	(207,592)	-
Cemetry assistance grant	-	2,630	(2,630)	-
Federal Gas Tax	96,380	432,794	(441,650)	87,524
Other	26,156	337,413	(114,330)	249,239
	$ 1,403,931	4,767,428	(3,779,425)	$ 2,391,934

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:

	2018	2017
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, 2018 was 3.95% (2017 - 3.20%))	**201,800**	302,700

Principal and interest payments relating to net long term debt of $201,800 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2019	$ 100,900	$ 11,090	$ 111,990
2020	100,900	5,045	105,945
	$ 201,800	$ 16,135	$ 217,935

9. Tangible Capital Assets

	2018							
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	$ 3,891,409	$ 4,055,900	$ 24,999,201	$ 94,482,693	$ 4,473,385	$ 4,652,062	$ 2,469,682	$139,024,332
Additions	-	-	122,535	2,035	608,922	582,740	2,744,678	4,060,910
Write-downs & disposals	-	-	-	-	-	(492,472)	-	(492,472)
Cost, end of year	$ 3,891,409	$ 4,055,900	$ 25,121,736	$ 94,484,728	$ 5,082,307	$ 4,742,330	$ 5,214,360	$142,592,770
Accumulated amortization, beginning of year	$ -	$ 1,849,647	$ 7,912,603	$ 38,462,504	$ 1,487,001	$ 3,584,061	$ -	$ 53,295,816
Amortization	-	193,587	588,381	2,158,174	343,397	357,247	-	3,640,786
Disposals	-	-	-	-	-	(435,137)	-	(435,137)
Accumulated amortization, end of year	$ -	$ 2,043,234	$ 8,500,984	$ 40,620,678	$ 1,830,398	$ 3,506,171	$ -	$ 56,501,465
Net carrying amount, end of year	$ 3,891,409	$ 2,012,666	$ 16,620,752	$ 53,864,050	$ 3,251,909	$ 1,236,159	$ 5,214,360	$ 86,091,305

9. Tangible Capital Assets (continued)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	2017 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	-	-	-	-	-	(119,068)	-	(119,068)
Cost, end of year	$ 3,891,409	$ 4,055,900	$ 24,999,201	$ 94,482,693	$ 4,473,385	$ 4,652,062	$ 2,469,682	$139,024,332
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
Write-downs		-	-	-	-	(119,068)	-	(119,068)
Accumulated amortization, end of year	$ -	$ 1,849,647	$ 7,912,603	$ 38,462,504	$ 1,487,001	$ 3,584,061	$ -	$ 53,295,816
Net carrying amount, end of year	$ 3,891,409	$ 2,206,253	$ 17,086,598	$ 56,020,189	$ 2,986,384	$ 1,068,001	$ 2,469,682	$ 85,728,516

10. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets	**$ 142,592,770**	$ 139,024,332
Accumulated amortization	**(56,501,465)**	(53,295,816)
	$ 86,091,305	$ 85,728,516

11. Accumulated Surplus

	2018	2017
Equity in tangible capital assets	$ 86,091,305	$ 85,728,516
Unrestricted surplus	5,525,390	5,847,787
	91,616,695	91,576,303
Restricted surplus		
General operating	338,991	338,991
General capital	2,283,724	2,472,076
Tournament building	50,000	50,000
Trails/pathways	138,048	123,048
Skatepark	155,960	55,960
Handivan	10,000	20,000
Fire services	503,451	397,692
Public works	235,075	444,144
Baseball diamonds	43,856	87,288
Community bus	115,405	110,405
Water system	1,083,867	994,407
Wastewater treatment	2,060,267	1,951,540
Utilities stabilization	3,553,090	3,553,090
Solid Waste	65,182	15,554
Cemetery	100,059	92,559
Land Acquisition/Servicing	2,328,399	2,114,313
In Lieu (Wes Leslie)	65,362	65,362
In lieu (Napwest)	6,800	6,800
Offsite levy	333,105	153,800
Woodlands area	496,673	496,673
Campground	88,991	83,991
Recreation and culture	901,038	507,377
Curling rink	27,497	27,497
Pool	27,689	67,732
Parks equipment	89,269	116,105
Library	199,275	199,275
Centennial park	123,988	123,988
Joint use center	64,116	49,024
Bylaw Mobile Equipment	1,773	25,736
Utility Equipment	263,150	213,150
Waste Transfer Upgrade	50,000	50,000
Arena	268,925	248,028
Playground	100,238	75,238
Emergency Management	18,300	18,300
Snow Removal	148,515	108,515
	16,340,078	15,457,658
	$ 107,956,773	$ 107,033,961

12. Change in Accumulated Surplus

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2018	2017
Balance, beginning of year	$ 5,847,787	$ 15,457,658	$ 85,728,516	**$ 107,033,961**	$ 102,695,980
Excess of revenue over expenses	928,504	-	-	**928,504**	4,337,981
Net operating transfers to restricted surplus	(3,022,775)	3,022,775	-	-	-
Capital transfers from restricted surplus	1,609,529	(1,609,529)	-	-	-
Acquisition of capital	(4,060,910)	-	4,060,910	-	-
Disposals and write-down of assets	57,335	-	(57,335)	-	-
Amortization	3,640,786	-	(3,640,786)	-	-
Change in accumulated surplus	$ (847,531)	$ 1,413,246	$ 362,789	**$ 928,504**	$ 4,337,981
Balance, end of year	$ 5,000,256	$ 16,870,904	$ 86,091,305	**$ 107,962,465**	$ 107,033,961

December 31, 2018

13. Taxation - Net

	Budget 2018	2018	2017
Real property	$ 10,342,363	$ 10,456,228	$ 10,291,202
Mobile home taxes	48,979	48,979	49,692
Linear property	1,129	1,129	1,094
Government grants in place of property taxes	35,742	35,742	35,742
Special assessments and local improvement taxes	3,262	3,262	3,262
	10,431,475	10,545,340	10,380,992
Requisitions			
Alberta School Foundation Fund	2,790,514	2,807,948	2,756,913
Non-residential School Fund	2,000	2,000	2,000
Separate School Fund	119,464	162,020	151,066
Parkland Foundation	21,435	21,316	21,250
	-	606	-
	2,933,413	2,993,890	2,931,229
Available for general municipal purposes	$ 7,498,062	$ 7,551,450	$ 7,449,763

14. Government Transfers

	Budget 2018	2018	2017
Operating			
Provincial government	957,234	708,774	704,950
Other local government	-	437,330	247,295
	$ 957,234	$ 1,146,104	$ 952,245
Capital			
Provincial government	$ 3,188,650	$ 2,191,671	$ 4,245,285
Federal government	871,350	441,650	995,124
	$ 4,060,000	$ 2,633,321	$ 5,240,409
Total government transfers	$ 5,017,234	$ 3,779,425	$ 6,192,654

15. Expenses by Object

	Budget 2018	2018	2017
Salaries and wages	$ 5,946,990	$ 5,734,468	$ 5,331,951
Contracted and general services	7,067,852	7,120,333	6,612,996
Purchases from other governments	56,956	108,826	81,602
Materials, goods and utilities	2,711,400	2,573,837	2,338,111
Transfer to individuals and organizations	449,000	450,166	440,978
Bank charges and short term interest	3,000	1,640	2,860
Interest on long-term debt	15,135	15,740	20,180
Amortization	3,640,786	3,640,786	3,585,325
	$ 19,891,119	$ 19,645,796	$ 18,414,003

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 259,714 people and over 420 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 10.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 14.84% for the excess. Employees contribute 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.

Contributions for the year were:

	2018	2017
Employer contributions	$ 327,229	$ 335,915
Employee contributions	358,811	308,210
	$ 686,040	$ 644,125

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, 2017 indicates a surplus of $4,836 million (2016 deficit - $637 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

December 31, 2018

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:

	Salary	Benefits & Allowances	Total 2018	Total 2017
Councilor Barclay	23,489	2,060	**25,549**	7,124
Councilor Bates	25,962	1,251	**27,213**	25,603
Councilor Carritt	23,475	3,814	**27,289**	10,492
Councilor Rieberger	23,953	855	**24,808**	25,169
Councilor Bos	24,573	2,986	**27,559**	24,073
Councilor Hill	23,116	3,802	**26,918**	8,093
Councilor Taylor	-	-	-	19,858
Mayor Spiller	-	-	-	35,564
Councilor Kemball	-	-	-	17,912
Councilor Churchill	-	-	-	19,339
Mayor Romane	40,023	3,281	**43,304**	10,547
Chief Administration Officer	189,766	36,096	**225,862**	171,815
Designated Officers (3)	386,821	82,989	**469,810**	442,595

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:

	2018	2017
Total debt limit	$31,409,423	$ 27,188,810
Total debt	201,800	302,700
Total debt limit available	31,207,623	26,886,110
Debt servicing limit	5,234,904	5,602,862
Debt servicing	116,640	121,080
Total debt servicing limit available	5,118,264	5,481,782

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.

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, 2018 to March 31, 2019. 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:

2019	$ 25,708

21. Budget

The budget adopted by Council on December 11, 2017, 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, 2017, with adjustments as follows:

	2018
Operating budget surplus (deficit)	$ 130,068
Add:	
Debenture principal payments	100,900
Net operating transfers to reserves and capital	2,342,968
Amortization expense	(3,640,786)
Budgeted excess (deficiency) of revenue over expenditures before other	$ (1,066,850)
Capital budget surplus (deficit)	$ -
Add:	
Capital expenditures	5,084,566
Less:	
Budgeted net transfers from operations	-
Budgeted transfers from reserves	(1,895,916)
Budgeted capital excess (deficiency) of revenue over expenditures	$ 3,188,650
Budgeted combined excess (deficiency) of revenue over expenditures	$ 2,121,800

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.

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.

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	2018 Total
Revenue									
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
Rental revenue	-	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
	762,375	1,677,378	6,069,234	843,802	436,469	1,028,958	361,480	9,394,603	20,574,299
Expenses									
Salaries and wages	692,229	1,123,135	715,697	94,427	114,648	1,693,446	175,248	1,125,643	5,734,473
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 interests	-	-	-	-	-	-	-	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
	2,464,639	4,256,065	5,135,064	794,174	519,112	3,972,672	426,998	2,077,072	19,645,796
Net surplus (deficit)	$ (1,702,264)	$ (2,578,687)	$ 934,170	$ 49,628	$ (82,643)	$ (2,943,714)	$ (65,518)	$ 7,317,531	$ 928,503

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
Rentals	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
	685,293	75,751	6,284,664	830,683	196,089	965,799	332,441	13,381,264	22,751,984
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 interest	-	-	-	-	-	-	-	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
Other	-	-	-	-	-	-	-	-	-
	2,337,688	4,058,463	4,976,734	815,130	376,868	3,603,693	380,286	1,865,141	18,414,003
Net surplus (deficit)	$ (1,652,395)	$ (3,982,712)	$ 1,307,930	$ 15,553	$ (180,779)	$ (2,637,894)	$ (47,845)	$ 11,516,123	$ 4,337,981

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.