TOWN OF INNISFAIL

Year Ended December 31, 2023

FINANCIAL STATEMENTS

Town of Innisfail

Consolidated Financial Statements
For the year ended December 31, 2023

Management's Responsibility for Reporting

The Town of Innisfail's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that except for the matter described in the Basis for Qualified section of the report, the consolidated financial statements present fairly the Municipality's financial position as at December 31, 2023 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Municipal Council is responsible for overseeing management in the performance of its reporting responsibilities, and for approving the financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Municipality's external auditors.

The consolidated financial statements have been audited by the independent firm of BDO Canada LLP, Chartered Professional Accountants. Their report to the Members of Council of The Town of Innisfail, stating the scope of their examination and opinion on the consolidated financial statements follow.

Chief Administrative Officer

Town of Innisfail
Consolidated Financial Statements
For the year ended December 31, 2023

Contents

Auditor's Report

Consolidated Financial Statements

Consolidated Statement of Financial Position	**3**
Consolidated Statement of Operations	**4**
Consolidated Statement of Change in Net Financial Assets	**5**
Consolidated Statement of Cash Flows	**6**
Summary of Significant Accounting Policies	**7 - 11**
Notes to the Consolidated Financial Statements	**12 -** 32

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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, 2023, 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, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and its consolidated financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Qualified Opinion

Effective January 1, 2023, the Group was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of January 1, 2023. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the Group's tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended December 31, 2023 and 2022, tangible capital assets and the asset retirement obligation as at December 31, 2023 and 2022, and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years.

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

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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
- 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 23, 2024

Town of Innisfail
Consolidated Statement of Financial Position

December 31	2023	2022
Financial assets		
Cash and cash equivalents (Note 1)	**$ 17,890,762**	$ 12,799,824
Short-term investment (Note 2)	**129,494**	59,641
Taxes receivable (Note 3)	**300,458**	192,723
Accounts receivable (Note 4)	**2,962,021**	3,563,686
	21,282,735	16,615,874
Liabilities		
Accounts payable and accrued liabilities	**2,080,129**	2,059,905
Employee benefit obligation (Note 5)	**262,671**	255,449
Deposit liabilities	**131,970**	97,946
Deferred revenue (Note 6)	**1,454,313**	1,158,342
Long-term debt (Note 7)	**5,500,000**	-
	9,429,083	3,571,642
Net financial assets	**11,853,652**	13,044,232
Non-financial assets		
Tangible capital assets (Note 8)	**93,818,197**	93,119,945
Land held for resale (Note 10)	**9,728,071**	10,232,799
Prepaid expenses	**20,828**	142,384
	103,567,096	103,495,128
Accumulated surplus (Note 12)	**$ 115,420,748**	$ 116,539,360

Debenture debt limits (Note 14)
Contingencies (Note 15)
Commitments (Note 16)

Town of Innisfail
Consolidated Statement of Operations

For the year ended December 31	Budget 2023	2023	2022
Revenue			
Net municipal taxes (Note 19)	$ 8,796,513	**$ 8,786,843**	$ 7,939,308
Government transfers for operating (Note 20)	1,215,154	**1,444,068**	1,282,679
Sales and user fees	9,075,778	**9,233,044**	6,917,323
Rental revenue	374,100	**369,365**	335,419
Franchises and concessions	2,443,568	**2,309,047**	2,184,272
Investment income	450,000	**716,214**	437,057
Fines and costs	335,000	**261,288**	229,458
Other	51,850	**367,883**	146,137
Contributed assets	-	**-**	3,414,846
Licenses and permits	293,200	**241,540**	317,136
	23,035,163	**23,729,292**	23,203,635
Expenditures (Note 21)			
Legislative	341,173	**276,464**	290,897
Administration	6,471,300	**2,196,792**	2,051,990
Protective services	3,246,621	**3,495,646**	2,895,903
Transportation services	2,425,771	**6,654,932**	5,610,757
Water and wastewater	5,686,675	**6,368,417**	6,328,030
Waste management	855,811	**803,098**	784,355
Planning and development	815,512	**1,008,054**	425,866
Recreation and parks	3,948,800	**4,616,709**	3,785,148
Public health and welfare	418,632	**408,398**	464,160
	24,210,295	**25,828,510**	22,637,106
Deficiency of revenue over expenditures - before other	(1,175,132)	**(2,099,218)**	566,529
Other			
Government transfers for capital (Note 20)	1,318,345	**980,606**	2,634,367
Excess of revenue over expenditures	143,213	**(1,118,612)**	3,200,896
Accumulated surplus, beginning of the year	116,539,360	**116,539,360**	113,338,464
Accumulated surplus, end of year	$ 116,682,573	$ 115,420,748	$ 116,539,360

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 2023	2023	2022
Excess of revenue over expenditures	143,213	**(1,118,612)**	3,200,896
Acquisition of tangible capital assets	$ (4,374,000)	**$ (7,209,734)**	$ (8,975,549)
Amortization of tangible capital assets	4,357,000	**4,357,000**	3,147,607
Net loss on sale of tangible capital assets	-	**2,062,142**	1,622,718
Proceeds on sale of tangible capital assets	-	**92,340**	68,114
Contributed assets	-	**-**	(3,414,846)
	126,213	**(1,816,864)**	(4,351,060)
Change in prepaid expenses	-	**121,556**	(105,843)
Change in land held for resale	-	**504,728**	(705,897)
Net change in net financial assets	126,213	**(1,190,580)**	(5,162,800)
Net financial assets, beginning of year,	13,044,232	**13,044,232**	18,207,032
Net financial assets, end of year	$ 13,170,445	**$ 11,853,652**	$ 13,044,232

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	2023	2022
Operating transactions		
Excess of revenue over expenditures	**$ (1,118,612)**	$ 3,200,896
Items not involving cash		
Contributed assets	**-**	(3,414,846)
Amortization	**4,357,000**	3,147,607
Net loss on disposal of tangible capital assets	**2,062,142**	1,622,718
Changes in non-cash operating balances		
Taxes receivable	**(107,735)**	17,560
Accounts receivable	**601,665**	114,161
Prepaid expenses	**121,556**	(105,843)
Accounts payable and accrued liabilities	**20,224**	465,106
Inventory for consumption	**504,728**	(705,897)
Employee benefit obligation	**7,222**	21,050
Deposit liabilities	**34,024**	(64,700)
Deferred revenue	**295,971**	(1,397,757)
	6,778,185	2,900,055
Capital transactions		
Acquisition of tangible capital assets	**(7,209,734)**	(8,975,549)
Proceeds on sale of tangible capital assets	**92,340**	68,114
Investing transactions		
Change of investments	**(69,853)**	(899)
Change in restricted cash balances	**1,042,370**	1,397,757
	972,517	1,396,858
Financing transactions		
Proceeds from issuance of long-term debt	**5,500,000**	-
Net change in cash and cash equivalents	**6,133,308**	(4,610,522)
Cash and cash equivalents, beginning of year	**11,641,482**	16,252,004
Cash and cash equivalents, end of year	**$ 17,774,790**	$ 11,641,482
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	**$ 17,890,762**	$ 12,799,824
Less: restricted (Note 1)	**(115,972)**	(1,158,342)
	$ 17,774,790	$ 11,641,482

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

December 31, 2023

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.

Reporting Entity

The consolidated 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.

Basis of Accounting

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

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

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

Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided, or the tangible capital assets are acquired.

December 31, 2023

Financial Instruments

Accounts receivable, accounts payable are measured at cost. Investments and long-term debt is measured at amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transactions costs are added to the carrying value for financial instruments measured using cost or amortized cost.

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

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.

December 31, 2023

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

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.

December 31, 2023

Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

Long-term Debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transaction costs, with interest expenses recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

Asset Retirement

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

December 31, 2023

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environment standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the Town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operations, maintenance, and monitoring.

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. Management estimates are used in determining the useful life of tangible capital assets and the value of asset retirement obligations.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the consolidated change in net financial assets for the year.

Contributions of Tangible Capital Assets

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

Leases

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

December 31, 2023

1. Cash and Cash Equivalents

	2023	2022
Current account bearing interest at prime less 1.75%	**14,996,740**	10,060,124
Short term deposits with original maturities of three months or less bearing interest at prime less 1.45%.	**2,894,022**	2,739,700
	$ 17,890,762	$ 12,799,824

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.

	2023	2022
MSI and Building Canada grant	**$ -**	$ 671,503
Canada Community Building Fund	**17,178**	76,964
Red Deer County	**-**	247,959
Other	**98,794**	161,916
	$ 115,972	$ 1,158,342

2. Short-term Investments

	2023	2022
Guaranteed investment certificates, bearing interest at rates from 3.45% to 4.50% and maturing from January to May of 2024	**$ 129,494**	$ 59,641

3. Taxes Receivable

	2023	2022
Current taxes and grants in place	**$ 223,530**	$ 173,705
Non-current taxes and grants in place	**76,928**	19,018
	$ 300,458	$ 192,723

4. Accounts Receivable

	2023	2022
Trade receivables	**$ 2,962,021**	$ 3,563,686

Included in accounts receivable at year-end are $1,338,341 of government grants receivable.

5. Employee Benefit Obligation

	2023	2022
Accrued vacation pay	**$ 186,897**	$ 188,159
Accrued flex time benefit	**75,774**	67,290
	$ 262,671	$ 255,449

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

6. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI & Building Canada grant	$ 671,503	847,106	(847,106)	$ 671,503
Red Deer County grant	247,959	118,146	(366,105)	-
CCBF	76,964	491,235	(59,785)	508,414
Other	161,916	208,951	(96,471)	274,396
	$ 1,158,342	1,665,438	(1,369,467)	$ 1,454,313

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.

Municipal Sustainability Initiative (MSI)
The Province provides conditional grant funding through this program to assist with various operating expenditures in the Town. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Canada Community Building Fund (CCBF)
The Government of Canada provides Alberta Transportation with a grant restricted to eligible expenditures as approved under the funding agreement.

Other
Other deferred revenue consists of FCSS grants, NRED program grants, business licences, and pet licenses.

7. Long-Term Debt

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

	2023	2022
Alberta Capital Finance Authority debenture bearing interest at 4.98%, payable in blended semi-annual payments of $352,476, maturing in 2033	**$ 5,500,000**	$ -

Principal and interest payments relating to net long term debt outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2024	$ 436,419	$ 268,533	$ 704,952
2025	458,423	246,529	704,952
2026	481,538	223,416	704,954
2027	505,815	199,136	704,951
2028	531,319	173,633	704,952
Thereafter	3,086,486	438,273	3,524,759
	$ 5,500,000	$ 1,549,520	$ 7,049,520

8. Tangible Capital Assets

	2023							
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	$ 3,891,409	$ 5,769,584	$ 24,200,810	$101,106,601	$ 7,026,507	$ 5,762,573	$ 8,825,255	$156,582,739
Additions		30,610	125,668	-	303,247	442,171	6,308,038	7,209,734
Change in work in progress	-	389,755	1,366	974,120	375,913	-	(1,741,154)	-
Write-downs & disposals	-	(5,421)	(145,149)	(1,333,139)	-	-	(1,412,927)	(2,896,636)
Cost, end of year	$ 3,891,409	$ 6,184,528	$ 24,182,695	$100,747,582	$ 7,705,667	$ 6,204,744	$ 11,979,212	$160,895,837
Accumulated amortization, beginning of year	$ -	$ 1,723,315	$ 10,002,119	$ 44,925,081	$ 2,944,367	$ 3,867,912	$ -	$ 63,462,794
Amortization	-	215,644	571,171	2,625,156	601,977	343,052	-	4,357,000
Disposals	-	(5,421)	(113,217)	(623,516)	-	-	-	(742,154)
Accumulated amortization, end of year	$ -	$ 1,933,538	$ 10,460,073	$ 46,926,721	$ 3,546,344	$ 4,210,964	$ -	$ 67,077,640
Net carrying amount, end of year	$ 3,891,409	$ 4,250,990	$ 13,722,622	$ 53,820,861	$ 4,159,323	$ 1,993,780	$ 11,979,212	$ 93,818,197

During the year, the Town had total disposals of $1,412,927 of land held for resale that was transferred from work in progress.

8. Tangible Capital Assets (continued)

2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	$ 3,891,409	$ 4,288,753	$ 24,190,875	$ 99,621,897	$ 6,159,373	$ 6,348,244	$ 2,920,757	$147,421,308
Additions		1,730,391	9,935	3,517,744	885,374	122,981	6,123,970	12,390,395
Change in work in progress		177,717	-	-	21,755	20,000	(219,472)	-
Write-downs	-	(427,277)	-	(2,033,040)	(39,995)	(728,652)	-	(3,228,964)
Cost, end of year	$ 3,891,409	$ 5,769,584	$ 24,200,810	$101,106,601	$ 7,026,507	$ 5,762,573	$ 8,825,255	$156,582,739
Accumulated amortization, beginning of year	$ -	$ 1,834,009	$ 9,441,786	$ 43,516,489	$ 2,678,798	$ 4,382,237	$ -	$ 61,853,319
Amortization		102,945	560,333	2,014,662	269,569	200,098	-	3,147,607
Write-downs		(213,639)	-	(606,070)	(4,000)	(714,423)	-	(1,538,132)
Accumulated amortization, end of year	$ -	$ 1,723,315	$ 10,002,119	$ 44,925,081	$ 2,944,367	$ 3,867,912	$ -	$ 63,462,794
Net carrying amount, end of year	$ 3,891,409	$ 4,046,269	$ 14,198,691	$ 56,181,520	$ 4,082,140	$ 1,894,661	$ 8,825,255	$ 93,119,945

9. Asset Retirement Obligations

As of April 1, 2022, all public entities were required to adopt section PS 3280, Asset Retirement Obligations, that was by the Public Sector Accounting Standards Board in August 2018. For the 2023 fiscal year, the Town of Innisfail is unsure if they have any asset retirement obligations relating to their tangible capital assets, so they have not recorded any liabilities on their financial statements, and the assets listed in Note 8 may be understated by the amounts of any existing asset retirement obligations.

10. Land Held for Resale

	2023	2022
Hazelwood estates	**$ -**	$ 274,791
Napoleon meadows	**1,368,774**	1,551,279
SW Industrial	**5,989,006**	5,989,006
Other land	**2,370,291**	2,417,723
	$ 9,728,071	$ 10,232,799

During the year, the Town had disposals of $504,726 of land held for resale plus $1,412,927 of land held for resale that was transferred from work in progress.

11. Equity in Tangible Capital Assets

	2023	2022
Tangible capital assets	**$ 160,895,837**	$ 156,582,739
Accumulated amortization	**(67,077,640)**	(63,462,794)
Debenture debt	**(5,500,000)**	-
	$ 88,318,197	$ 93,119,945

12. Accumulated Surplus

	2023	2022
Equity in tangible capital assets	**$ 88,318,197**	$ 93,119,945
Unrestricted surplus	**10,792,999**	11,271,974
	99,111,196	104,391,919
Restricted surplus		
General operating	**339,134**	339,134
General capital	**2,308,286**	1,855,079
Storm sewer	**225,985**	193,974
Tournament building	**50,000**	50,000
Trails/pathways	**118,378**	118,378
RCMP	**288,000**	-
Handivan	**28,481**	18,481
Fire services	**311,332**	313,568
Public works	**354,254**	317,848
Baseball diamonds	**291,659**	43,856
Rail	**60,955**	60,955
Community bus	**155,405**	155,405
Water system	**1,208,968**	1,003,208
Wastewater treatment	**273,501**	1,473,137
Utilities stabilization	**-**	1,314,016
Solid Waste	**299,911**	238,109
Cemetery	**46,321**	69,965
Land Acquisition/Servicing	**4,682,466**	190,083
In Lieu (Wes Leslie)	**17,361**	17,361
In lieu (Napwest)	**6,800**	6,800
Offsite levy	**435,749**	434,360
Woodlands area	**25**	20,245
Campground	**120,991**	112,491
Recreation and culture	**1,162,752**	1,104,631
Curling rink	**81,259**	71,259
Pool	**217,986**	167,986
Parks equipment	**182,194**	182,194
Library	**384,400**	414,246
Centennial park	**109,528**	109,528
Joint use center	**43,537**	55,733
Bylaw Mobile Equipment	**57,047**	37,047
Utility Equipment	**294,348**	266,153
Waste Transfer Upgrade	**50,000**	50,000
Arena	**286,018**	15,494
Emergency Management	**18,300**	18,300
Snow Removal	**221,244**	221,244
Facility	**1,576,977**	1,087,173
	16,309,552	12,147,441
	$ 115,420,748	$ 116,539,360

13. Change in Accumulated Surplus

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	**2023**	2022
Balance, beginning of year	$ 11,271,974	$ 12,147,441	$ 93,119,945	**$ 116,539,360**	$ 113,338,464
Excess of revenue over expenses	(1,118,612)	-	-	**(1,118,612)**	3,200,896
Net operating transfers to restricted surplus	(9,726,935)	9,726,935	-	-	-
Proceeds from issuance of long-term debt	5,500,000	-	(5,500,000)	-	-
Capital transfers from restricted surplus	5,564,824	(5,564,824)	-	-	-
Acquisition of capital	(7,209,734)	-	7,209,734	-	-
Disposals and write-down of assets	2,154,482	-	(2,154,482)	-	-
Amortization	4,357,000	-	(4,357,000)	-	-
Change in non-financial assets	-	-	-		
Change in accumulated surplus	$ (478,975)	$ 4,162,111	$ (4,801,748)	**$ (1,118,612)**	$ 3,200,896
Balance, end of year	$ 10,792,999	$ 16,309,552	$ 88,318,197	**$ 115,420,748**	$ 116,539,360

14. 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:

	2023	2022
Total debt limit	**$35,222,234**	$ 29,778,396
Total debt	**5,500,000**	-
Total debt limit available	**29,722,234**	29,778,396
Debt servicing limit	**5,870,372**	4,963,066
Debt servicing	**704,952**	-
Total debt servicing limit available	**5,165,420**	4,963,066

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.

15. 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.

16. Commitments

The Town has a ten year agreement with Wild Rose Assessment Services Inc. to provide property assessment services. The agreement term is from October 1st, 2023 to September 30th 2033. The Town is required to pay a fee of $80,220 per year.

The Town has a contract to provide waste disposal services with E360S (CAN-PAK) from October 1st, 2021 to March 31st, 2024. 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. Subsequent to year end, the Town entered into a new agreement with E360S from April 1st, 2024 to March 31st, 2024.

During the year, the Town entered into a contract wiht Prairie Bus Lines Ltd. from April 4th, 2023 to April 3rd 2024. The Town is required to pay various fees for On-Demand Transit Services based on the rates and operating hours as stipulated in the agreement.

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

2024	$	145,128
2025		131,425
2026		101,126
2027		87,109
2028		1,984

17. New Accounting Policies Adopted During the Year

PS 3450 Financial Instruments, provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the Town. Refer to Note 18 on the Town's financial instrument risk.

18. Financial Instruments

The Town is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the Town's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Municipality is exposed to credit risk through its cash and accounts receivable.

The Municipality manages it credit risk by credit approval process and holding cash at one federally regulated chartered bank in cash accounts insured at $100,000, one provincially regulated credit union in cash accounts insured at 100% and one provincially regulated bank in cash accounts insured up to 100%. The Town measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Note 1, Note 2 and Note 4. Accounts receivable arise primarily as a result of sales receivable and government transfers. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low

Liquidity risk

Liquidity risk is the risk that the Town will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to liquidity risk through its accounts payable and long-term debt.

The Town manages this risk by maintaining a balance of cash or short term or highly liquid investments and staggers maturity dates of investments for cash flow needs. Also to help manage the risk, the Municipality has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The Town measures its exposure to liquidity risk based on extensive budgeting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Town is exposed to interest rate risk through its long-term debt.

The Town manages interest rate risk on its long-term debt by holding all debt through ACFA at a fixed rate, with refinancing typically being completed at the ten or fifteen year mark. Therefore, fluctuations in market interest rates would not impact future cash flows and operations relating to long-term debt. See Note 7 for interest rates and maturity dates for long term debt.

December 31, 2023

19.Taxation - Net

	Budget 2023	2023	2022
Real property	$ 11,587,480	**$11,558,530**	$ 10,796,656
Mobile home taxes	47,637	**48,702**	45,509
Linear property	164,597	**176,225**	160,506
Government grants in place of property taxes	25,246	**25,077**	22,600
	11,824,960	**11,808,534**	11,025,271
Requisitions			
Alberta School Foundation Fund	2,835,464	**2,831,858**	2,905,343
Non-residential School Fund	2,000	**2,158**	1,995
Separate School Fund	162,019	**157,882**	148,903
Parkland Foundation	21,464	**21,697**	21,853
Designated Industrial Property	7,500	**8,096**	7,869
	3,028,447	**3,021,691**	3,085,963
Available for general municipal purposes	$ 8,796,513	**$ 8,786,843**	$ 7,939,308

20. Government Transfers

	Budget 2023	2023	2022
Operating			
Provincial government	1,215,154	**897,400**	778,184
Other local government	-	**546,668**	504,495
	$ 1,215,154	**$ 1,444,068**	$ 1,282,679
Capital			
Provincial government	$ 1,318,345	**$ 980,606**	$ 2,624,367
Federal government	-	**-**	10,000
	$ 1,318,345	**$ 980,606**	$ 2,634,367
Total government transfers	$ 2,533,499	**$ 2,424,674**	$ 3,917,046

21. Expenses by Object

	Budget 2023	**2023**	2022
Salaries and wages	$ 7,771,418	**$ 7,585,988**	$ 7,034,593
Contracted and general services	8,127,339	**7,908,697**	7,629,574
Purchases from other governments	56,600	**61,770**	56,118
Materials, goods and utilities	3,056,513	**3,420,255**	2,756,655
Transfer to individuals and organizations	574,925	**416,782**	382,776
Bank charges and short term interest	2,500	**3,369**	7,065
Interest on long-term debt	264,000	**12,507**	-
Amortization	4,357,000	**4,357,000**	3,147,607
Write-down of tangible capital assets	-	**2,062,142**	1,622,718
	$ 24,210,295	**$ 25,828,510**	$ 22,637,106

22. 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 291,259 people and 437 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 8.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.80% for the excess. Employees contribute to the Plan at a rate of 7.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 11.80% for the excess.

Contributions for the year were:

	2023	2022
Employer contributions	**$ 450,821**	$ 408,545
Employee contributions	**402,081**	364,494
	$ 852,902	$ 773,039

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, 2022 indicates a surplus of $12,671 million (2021 surplus - $11,922 million) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

December 31, 2023

23. 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 2023	Total 2022
Councillor Harrison	21,341	4,935	**26,276**	31,962
Councillor Bates	24,448	1,811	**26,259**	28,219
Councillor Wing	27,736	6,731	**34,467**	35,928
Councillor Messaros	24,858	5,842	**30,700**	29,368
Councillor Dunham	22,113	5,212	**27,325**	30,290
Councilor Heistad	13,545	3,039	**16,584**	31,103
Mayor Romane	-	-	**-**	4,138
Mayor Barclay	42,818	5,326	**48,144**	49,985
Chief Administration Officer	212,215	38,162	**250,377**	246,046
Designated Officers (3)	452,290	90,422	**542,712**	511,895

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.

24. Budget

The budget adopted by Council on December 12, 2022, 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, 2022, with adjustments as follows:

	2023
Operating budget surplus (deficit)	$ (49)
Add:	
Net operating transfers to reserves and capital	3,151,202
Amortization expense	(4,357,000)
Budgeted excess (deficiency) of revenue over expenditures before other	$ (1,205,847)
Capital budget surplus (deficit)	$ (3,046,655)
Add:	
Capital expenditures	4,374,000
Less:	
Budgeted transfers from reserves	21,715
Budgeted capital excess (deficiency) of revenue over expenditures	$ 1,349,060
Budgeted combined excess (deficiency) of revenue over expenditures	$ 143,213

25. 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.

25. 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.

25. 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	2023 Total
Revenue									
Taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	8,786,843	$ 8,786,843
Government transfers for operating	480,922	146,444	-	-	60,000	535,327	219,598	1,777	1,444,068
Government transfers for capital	-	947,106	-	-	-	33,500	-	-	980,606
Sales and user fees	125,768	18,201	5,872,180	835,174	1,983,462	303,252	82,031	12,976	9,233,044
Franchises and concessions	-	-	-	-	-	-	-	2,309,047	2,309,047
Investment income	-	-	-	-	-	-	-	716,214	716,214
Fines and costs	127,370	-	45,356	-	-	-	-	88,562	261,288
Rental revenue	-	10,318	-	-	-	349,518	-	9,529	369,365
Licences and permits	22,240	-	-	-	116,899	-	8,704	93,697	241,540
Other	19,000	-	14,613	-	50,285	272,739	200	11,046	367,883
	775,300	1,122,069	5,932,149	835,174	2,210,646	1,494,336	310,533	12,029,691	24,709,898
Expenses									
Salaries and wages	1,221,919	1,018,056	965,630	118,217	257,916	2,403,589	225,772	1,374,889	7,585,988
Contracted and general services	1,920,096	422,818	4,100,358	675,107	144,568	406,212	17,340	222,198	7,908,697
Purchases from other governments	-	-	-	8,254	-	-	-	53,516	61,770
Materials, goods and utilities	203,012	780,298	369,044	1,520	582,258	661,506	45,286	777,331	3,420,255
Transfers to individuals and organizations	-	109,336	-	-	10,805	176,641	120,000	-	416,782
Bank charges and short-term interests	-	-	-	-	-	-	-	3,369	3,369
Interest on long-term debt	-	-	-	-	12,507	-	-	-	12,507
Amortization	150,619	2,262,282	933,385	-	-	968,761	-	41,953	4,357,000
Loss on sale of capital assets	-	2,062,142	-	-	-	-	-	-	2,062,142
	3,495,646	6,654,932	6,368,417	803,098	1,008,054	4,616,709	408,398	2,473,256	25,828,510
Net surplus (deficit)	$ (2,720,346)	$ (5,532,863)	$ (436,268)	$ 32,076	$ 1,202,592	$ (3,122,373)	$ (97,865)	$ 9,556,435	$ (1,118,612)

25. 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	2022 Total
Revenue									
Taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 7,939,308	$ 7,939,308
Government transfers for operating	477,481	48,250	-	-	-	544,356	212,592	-	1,282,679
Government transfers for capital	-	2,099,947	217,345	-	-	317,074	-	-	2,634,366
Sales and user fees	112,533	6,823	5,470,441	828,354	72,004	280,293	132,478	14,398	6,917,324
Franchises and concessions	-	-	-	-	-	-	-	2,184,272	2,184,272
Investment income	-	-	-	-	-	-	-	437,057	437,057
Fines and costs	111,421	-	46,696	-	-	-	-	71,341	229,458
Rentals	-	2,398	-	-	-	324,382	-	8,639	335,419
Licences and permits	24,200	-	-	-	180,874	-	16,367	95,695	317,136
Other	-	-	18,824	-	25,841	40,384	-	3,475,934	3,560,983
	725,635	2,157,418	5,753,306	828,354	278,719	1,506,489	361,437	14,226,644	25,838,002
Expenses									
Salaries and wages	1,075,156	1,060,940	862,704	96,770	242,382	2,119,661	227,434	1,349,546	7,034,593
Contracted and general services	1,582,051	494,954	4,067,169	678,328	132,597	437,664	16,476	220,335	7,629,574
Purchases from other governments	-	-	-	5,557	-	-	-	50,561	56,118
Materials, goods and utilities	168,353	723,387	371,998	3,700	30,887	661,750	86,251	710,329	2,756,655
Transfers to individuals and organizations	-	88,000	-	-	20,000	140,777	133,999	-	382,776
Bank charges and short-term interest	-	-	-	-	-	-	-	7,065	7,065
Amortization	70,343	1,620,758	1,026,159	-	-	425,296	-	5,051	3,147,607
Loss on sale of capital assets	-	1,622,718	-	-	-	-	-	-	1,622,718
Other	-	-	-	-	-	-	-	-	-
	2,895,903	5,610,757	6,328,030	784,355	425,866	3,785,148	464,160	2,342,887	22,637,106
Net surplus (deficit)	$ (2,170,268)	$ (3,453,339)	$ (574,724)	$ 43,999	$ (147,147)	$ (2,278,659)	$ (102,723)	$ 11,883,757	$ 3,200,896

26. Contaminated Sites Liability

The Town has identified a contaminated site and has estimated the discounted future expenditures for remediation to be $63,348. No liability has been accrued as at year-end

27. Subsequent Events

Subsequent to year end, the Town engaged with contractors for the construction of homes within Napolean Meadowns to a maximum of $1,500,000.

28. Comparative Figures

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

29. Approval of Financial Statements

Council and Management approved these financial statements.