



**GREGORY,  
HARRIMAN  
& ASSOCIATES LLP**

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**TOWN OF IRRICANA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**TOWN OF IRRICANA**

**DECEMBER 31, 2012**

**CONTENTS**

|  | Page    |
|--|---------|
| <b>INDEPENDENT AUDITORS' REPORT</b>                      | 1 - 2   |
| <b>FINANCIAL STATEMENTS</b>                              |         |
| Consolidated Statement of Financial Position             | 3       |
| Consolidated Statement of Operations                     | 4       |
| Consolidated Statement of Change in Net Financial Debt   | 5       |
| Consolidated Statement of Cash Flows                     | 6       |
| Schedule 1 - Schedule of Changes in Accumulated Surplus  | 7       |
| Schedule 2 - Schedule of Tangible Capital Assets         | 8       |
| Schedule 3 - Schedule of Property and Other Taxes        | 9       |
| Schedule 4 - Schedule of Government Transfers            | 10      |
| Schedule 5 - Schedule of Consolidated Expenses by Object | 11      |
| Notes to Financial Statements                            | 12 - 19 |



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## INDEPENDENT AUDITORS' REPORT

To the Members of Council for the  
Town of Irricana

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Town of Irricana, which comprise the statement of financial position as at December 31, 2012 and the statements of operations, change in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Irricana as at December 31, 2012 and the results of its operations, change in net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Strathmore, Alberta  
April 2, 2013

*Gregory, Harriman & Assoc.*  
Gregory, Harriman & Associates LLP

**TOWN OF IRRICANA  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2012**

|   | 2012         | 2011         |
|---|--------------|--------------|
| <b>FINANCIAL ASSETS</b>                                 |              |              |
| Cash (Note 2)   | \$ 1,414,092 | \$ 1,424,602 |
| Taxes and grants in place of taxes receivables (Note 3) | 324,736      | 374,339      |
| Trade and other receivables (Note 4)                    | 257,876      | 201,644      |
| Tax sale trust asset (Note 5)                           | 793          | 793          |
|   | 1,997,497    | 2,001,378    |
| <br><b>LIABILITIES</b>                                  |              |              |
| Accounts payable and accrued liabilities (Note 6)       | 142,531      | 257,224      |
| Tax sale trust liability (Note 5)                       | 793          | 793          |
| Deposit liabilities (Note 7)                            | 9,900        | 10,900       |
| Other liabilities (Note 8)                              | 55,842       | 70,108       |
| Deferred revenue (Note 9)                               | 1,433,696    | 1,452,219    |
| Long term debt and debentures (Note 10)                 | 404,039      | 460,169      |
|   | 2,046,801    | 2,251,413    |
| <br><b>NET FINANCIAL DEBT</b>                           | (49,304)     | (250,035)    |
| <br><b>NON-FINANCIAL ASSETS</b>                         |              |              |
| Tangible capital assets (Schedule 2) (Note 12, 13)      | 9,322,845    | 9,347,194    |
| Inventory for consumption                               | 16,457       | 12,822       |
| Prepaid expenses (Note 14)                              | 4,773        | 83,785       |
|   | 9,344,075    | 9,443,801    |
| <br><b>ACCUMULATED SURPLUS (Schedule 1) (Note 15)</b>   | \$ 9,294,771 | \$ 9,193,766 |
| <br><b>COMMITMENTS (Note 17)</b>                        |              |              |
| <b>CONTINGENCIES (Note 18)</b>                          |              |              |
| <b>RELATED PARTY TRANSACTIONS (Note 19)</b>             |              |              |

Approved by: \_\_\_\_\_ Mayor \_\_\_\_\_ Chief Administrative Officer

**TOWN OF IRRICANA  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | <i>Budget<br/>(Unaudited)</i> | <b>2012</b>         | 2011                |
|---|-------------------------------|---------------------|---------------------|
| <b>REVENUE</b>  |                               |                     |                     |
| Net municipal taxes (Schedule 3)                                      | \$ 887,750                    | \$ 913,145          | \$ 941,996          |
| User fees and sales of goods  | 531,328                       | 523,459             | 526,038             |
| Government transfers for operating (Schedule 4)                       | 133,263                       | 183,763             | 131,438             |
| Penalties and costs of taxes  | 91,993                        | 117,712             | 106,056             |
| Licenses and permits  | 15,100                        | 15,147              | 18,370              |
| Fines   | 400                           | -                   | 334                 |
| Franchise   | 19,379                        | 19,875              | 23,081              |
| Interest and investment income  | 250                           | 680                 | 468                 |
| Rentals   | 50,480                        | 50,950              | 41,949              |
| Other revenues  | 16,750                        | 39,702              | 29,069              |
| <b>TOTAL REVENUE</b>  | <u>1,746,693</u>              | <u>1,865,371</u>    | <u>1,818,799</u>    |
| <b>EXPENSES (Schedule 5)</b>  |                               |                     |                     |
| Legislative   | 50,304                        | 40,127              | 85,694              |
| Administration  | 383,474                       | 434,559             | 366,614             |
| Protective services   | 103,390                       | 99,864              | 94,473              |
| Roads, streets, walks and lighting                                    | 220,951                       | 353,685             | 387,785             |
| Water and wastewater  | 480,908                       | 583,030             | 609,397             |
| Waste management  | 69,180                        | 71,628              | 72,726              |
| Public health and welfare   | 85,541                        | 72,281              | 72,797              |
| Subdivision land development  | 87,578                        | 58,312              | 138,552             |
| Recreation, parks and culture   | 204,120                       | 322,740             | 317,463             |
| (Gain) loss on disposal of tangible capital assets                    | -                             | (938)               | -                   |
| <b>TOTAL EXPENSES</b>   | <u>1,685,446</u>              | <u>2,035,288</u>    | <u>2,145,501</u>    |
| <b>EXCESS (SHORTFALL) OF REVENUE OVER<br/>EXPENSES - BEFORE OTHER</b> | 61,247                        | (170,855)           | (326,702)           |
| <b>OTHER</b>  |                               |                     |                     |
| Contributed assets  | -                             | 7,200               | -                   |
| Government transfers for capital (Schedule 4)                         | 1,192,000                     | 264,660             | 410,029             |
|   | <u>1,192,000</u>              | <u>271,860</u>      | <u>410,029</u>      |
| <b>EXCESS (SHORTFALL) OF REVENUE OVER<br/>EXPENSES</b>                | <u>1,253,247</u>              | <u>101,005</u>      | <u>83,327</u>       |
| <b>ACCUMULATED SURPLUS, beginning of the year</b>                     | 9,193,766                     | 9,193,766           | 9,110,439           |
| <b>ACCUMULATED SURPLUS, end of year</b>                               | <u>\$ 10,447,013</u>          | <u>\$ 9,294,771</u> | <u>\$ 9,193,766</u> |

The accompanying notes form an integral part of these financial statements.  
Gregory, Harriman & Associates LLP

**TOWN OF IRRICANA  
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | <i>Budget<br/>(Unaudited)</i> | 2012               | 2011                |
|---|-------------------------------|--------------------|---------------------|
| <b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>          | <b>\$ 1,253,247</b>           | <b>\$ 101,005</b>  | <b>\$ 83,327</b>    |
| Acquisition of tangible capital assets <i>(Schedule 2)</i>  | (1,192,000)                   | (345,339)          | (424,004)           |
| Proceeds on disposal of tangible capital assets             | -                             | 4,957              | -                   |
| Amortization of tangible capital assets <i>(Schedule 2)</i> | -                             | 365,669            | 361,247             |
| (Gain) loss on disposal of tangible capital assets          | -                             | (938)              | -                   |
|   | <u>(1,192,000)</u>            | <u>24,349</u>      | <u>(62,757)</u>     |
| (Increase) decrease in inventory for consumption            | -                             | (3,635)            | (354)               |
| (Increase) decrease in prepaid expenses                     | -                             | 79,012             | (68,565)            |
|   | -                             | <u>75,377</u>      | <u>(68,919)</u>     |
| <b>(INCREASE) DECREASE IN NET DEBT</b>                      | <b>61,247</b>                 | <b>200,731</b>     | <b>(48,349)</b>     |
| <b>NET FINANCIAL DEBT, beginning of year</b>                | <b>-</b>                      | <b>(250,035)</b>   | <b>(201,686)</b>    |
| <b>NET FINANCIAL DEBT, end of year</b>                      | <b>\$ 61,247</b>              | <b>\$ (49,304)</b> | <b>\$ (250,035)</b> |

The accompanying notes form an integral part of these financial statements.  
Gregory, Harriman & Associates LLP

**TOWN OF IRRICANA  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|  | <u>2012</u>               | <u>2011</u>               |
|--|---------------------------|---------------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b> |                           |                           |
| <b>OPERATING</b>   |                           |                           |
| Excess (shortfall) of revenue over expenses                              | \$ 101,005                | \$ 83,327                 |
| Non-cash items included in shortfall of revenue over expenses:           |                           |                           |
| Amortization of tangible capital assets                                  | 365,669                   | 361,247                   |
| Gain on disposal of tangible capital assets                              | (938)                     | -                         |
| Non-cash charges to operations (net change)                              |                           |                           |
| (Increase) decrease in taxes and grants in place receivables             | 49,603                    | (127,686)                 |
| (Increase) decrease in trade and other receivables                       | (56,232)                  | (25,199)                  |
| Decrease (increase) in prepaid expenses and deposits                     | 79,012                    | (68,565)                  |
| Decrease (increase) in inventory for consumption                         | (3,635)                   | (354)                     |
| Increase (decrease) in accounts payable and accrued liabilities          | (115,693)                 | 35,481                    |
| Increase (decrease) in other liabilities                                 | (14,266)                  | (9,794)                   |
| Increase (decrease) in deferred revenue                                  | (18,523)                  | (10,774)                  |
| Cash provided by operating transactions                                  | <u>386,002</u>            | <u>237,683</u>            |
| <b>CAPITAL</b>   |                           |                           |
| Acquisition of tangible capital assets                                   | (345,339)                 | (424,004)                 |
| Disposal of tangible capital assets                                      | 4,957                     | -                         |
| Cash applied to capital transactions                                     | <u>(340,382)</u>          | <u>(424,004)</u>          |
| <b>INVESTING</b>   |                           |                           |
| Decrease (increase) in restricted cash or cash equivalents               | 18,522                    | 10,774                    |
| Cash provided by (applied to) investing transactions                     | <u>18,522</u>             | <u>10,774</u>             |
| <b>FINANCING</b>   |                           |                           |
| Debentures repaid  | (56,129)                  | (53,142)                  |
| Cash provided by (applied to) financing transactions                     | <u>(56,129)</u>           | <u>(53,142)</u>           |
| <b>NET CASH INCREASE (DECREASE), during the year</b>                     | <b>8,013</b>              | <b>(228,689)</b>          |
| <b>CASH, beginning of year</b>   | <b>(27,617)</b>           | <b>201,072</b>            |
| <b>CASH, end of year (Note 2)</b>  | <b><u>\$ (19,604)</u></b> | <b><u>\$ (27,617)</u></b> |
| <b>Cash and cash equivalents is made up of:</b>                          |                           |                           |
| Cash (Note 2)  | 1,414,092                 | 1,424,602                 |
| Less: restricted portion of cash and temporary investments (Note 2)      | (1,433,696)               | (1,452,219)               |
|  | <b><u>\$ (19,604)</u></b> | <b><u>\$ (27,617)</u></b> |

The accompanying notes form an integral part of these financial statements.  
Gregory, Harriman & Associates LLP



**TOWN OF IRRICANA**  
**SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**SCHEDULE 1**

|   | Unrestricted<br>Surplus | Restricted<br>Surplus | Equity in Tangible<br>Capital Assets | 2012                | 2011                |
|---|-------------------------|-----------------------|--------------------------------------|---------------------|---------------------|
| <b>BALANCE, BEGINNING OF YEAR</b>                   | \$ (59,200)             | \$ 365,941            | \$ 8,887,025                         | \$ 9,193,766        | \$ 9,110,439        |
| Excess (shortfall) of revenue over expenses         | 101,005                 | -                     | -                                    | 101,005             | 83,327              |
| Unrestricted funds designated for future use        | (17,572)                | 17,572                | -                                    | -                   | -                   |
| Restricted funds used for operations                | 14,907                  | (14,907)              | -                                    | -                   | -                   |
| Restricted funds used for tangible capital assets   | -                       | (65,636)              | 65,636                               | -                   | -                   |
| Current year funds used for tangible capital assets | (279,704)               | -                     | 279,704                              | -                   | -                   |
| Disposal of tangible capital assets                 | 4,019                   | -                     | (4,019)                              | -                   | -                   |
| Annual amortization expense                         | 365,669                 | -                     | (365,669)                            | -                   | -                   |
| Long term debt repaid                               | (56,129)                | -                     | 56,129                               | -                   | -                   |
| Change in accumulated surplus                       | 132,195                 | (62,971)              | 31,781                               | 101,005             | 83,327              |
| <b>BALANCE, END OF YEAR</b>                         | <b>\$ 72,995</b>        | <b>\$ 302,970</b>     | <b>\$ 8,918,806</b>                  | <b>\$ 9,294,771</b> | <b>\$ 9,193,766</b> |

The accompanying notes form an integral part of these financial statements.  
 Gregory, Harriman & Associates LLP

**TOWN OF IRRICANA  
SCHEDULE OF TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
SCHEDULE 2**

|  | Land              | Land Improvements | Buildings           | Engineered Structures | Machinery and Equipment | Vehicles         | 2012                | 2011                |
|--|-------------------|-------------------|---------------------|-----------------------|-------------------------|------------------|---------------------|---------------------|
| <b>COST:</b>                                     |                   |                   |                     |                       |                         |                  |                     |                     |
| BALANCE, BEGINNING OF YEAR                       | \$ 618,395        | \$ 315,480        | \$ 3,347,381        | \$ 10,354,028         | \$ 449,023              | \$ 44,439        | \$ 15,128,746       | \$ 14,704,742       |
| Acquisition of tangible capital assets           | -                 | -                 | 67,642              | 155,347               | -                       | 75,281           | 298,270             | 424,004             |
| Construction-in-progress                         | -                 | -                 | 7,957               | 39,112                | -                       | -                | 47,069              | -                   |
| Disposal of tangible capital assets              | -                 | (4,157)           | -                   | -                     | -                       | (8,100)          | (12,257)            | -                   |
| <b>BALANCE, END OF YEAR</b>                      | <b>618,395</b>    | <b>311,323</b>    | <b>3,422,980</b>    | <b>10,548,487</b>     | <b>449,023</b>          | <b>111,620</b>   | <b>15,461,828</b>   | <b>15,128,746</b>   |
| <b>ACCUMULATED AMORTIZATION:</b>                 |                   |                   |                     |                       |                         |                  |                     |                     |
| BALANCE, BEGINNING OF YEAR                       | -                 | 106,661           | 1,504,985           | 4,009,797             | 117,084                 | 43,025           | 5,781,552           | 5,420,305           |
| Annual amortization                              | -                 | 17,589            | 77,027              | 205,187               | 60,687                  | 5,179            | 365,669             | 361,247             |
| Accumulated amortization on disposals            | -                 | (138)             | -                   | -                     | -                       | (8,100)          | (8,238)             | -                   |
| <b>BALANCE, END OF YEAR</b>                      | <b>-</b>          | <b>124,112</b>    | <b>1,582,012</b>    | <b>4,214,984</b>      | <b>177,771</b>          | <b>40,104</b>    | <b>6,138,983</b>    | <b>5,781,552</b>    |
| <b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b> | <b>\$ 618,395</b> | <b>\$ 187,211</b> | <b>\$ 1,840,968</b> | <b>\$ 6,333,503</b>   | <b>\$ 271,252</b>       | <b>\$ 71,516</b> | <b>\$ 9,322,845</b> | <b>\$ 9,347,194</b> |

The accompanying notes form an integral part of these financial statements.  
Gregory, Harriman & Associates LLP

**TOWN OF IRRICANA  
SCHEDULE OF PROPERTY AND OTHER TAXES  
FOR THE YEAR ENDED DECEMBER 31, 2012  
SCHEDULE 3**

|                                     | <i>Budget<br/>(Unaudited)</i> | <b>2012</b>       | <b>2011</b>       |
|-------------------------------------|-------------------------------|-------------------|-------------------|
| <b>TAXATION</b>                     |                               |                   |                   |
| Residential property taxes          | \$ 1,100,990                  | \$ 1,130,468      | \$ 1,141,768      |
| Non-residential property taxes      | 72,691                        | 74,741            | 69,191            |
| Linear property taxes               | 17,518                        | 9,899             | 17,011            |
| Special assessments                 | 34,176                        | 34,238            | 34,271            |
|                                     | <u>1,225,375</u>              | <u>1,249,346</u>  | <u>1,262,241</u>  |
| <b>REQUISITIONS</b>                 |                               |                   |                   |
| Alberta School Foundation Fund      | 306,835                       | 302,731           | 288,116           |
| Calgary Separate School District #1 | 26,262                        | 28,942            | 27,424            |
| Rocky View Seniors Foundation Fund  | 4,528                         | 4,528             | 4,705             |
|                                     | <u>337,625</u>                | <u>336,201</u>    | <u>320,245</u>    |
| <b>NET MUNICIPAL TAXES</b>          | <u>\$ 887,750</u>             | <u>\$ 913,145</u> | <u>\$ 941,996</u> |

**TOWN OF IRRICANA  
SCHEDULE OF GOVERNMENT TRANSFERS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
SCHEDULE 4**

|                                   | <i>Budget<br/>(Unaudited)</i> | <b>2012</b>       | 2011              |
|-----------------------------------|-------------------------------|-------------------|-------------------|
| <b>TRANSFERS FOR OPERATING</b>    |                               |                   |                   |
| Provincial Government             | \$ 107,803                    | \$ 157,517        | \$ 110,298        |
| Federal Government                | 3,960                         | 2,820             | 2,640             |
| Other Local Governments           | 21,500                        | 23,426            | 18,500            |
|                                   | <u>133,263</u>                | <u>183,763</u>    | <u>131,438</u>    |
| <b>TRANSFERS FOR CAPITAL</b>      |                               |                   |                   |
| Provincial Government             | 1,192,000                     | 264,660           | 409,976           |
| Federal Government                | -                             | -                 | 53                |
|                                   | <u>1,192,000</u>              | <u>264,660</u>    | <u>410,029</u>    |
| <b>TOTAL GOVERNMENT TRANSFERS</b> | <u>\$ 1,325,263</u>           | <u>\$ 448,423</u> | <u>\$ 541,467</u> |

**TOWN OF IRRICANA**  
**SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**SCHEDULE 5**

| <b>CONSOLIDATED EXPENSES BY OBJECT</b>             | <i>Budget<br/>(Unaudited)</i> | <b>2012</b>         | <b>2011</b>         |
|--|-------------------------------|---------------------|---------------------|
| Salaries, wages and benefits <i>(Note 16)</i>      | \$ 584,574                    | \$ 592,463          | \$ 634,312          |
| Contracted and general services                    | 428,411                       | 400,148             | 477,781             |
| Materials, goods, supplies and utilities           | 524,704                       | 535,918             | 539,244             |
| Provision for allowances                           | 994                           | (2)                 | -                   |
| Transfers to local boards and agencies             | 109,360                       | 109,683             | 98,554              |
| Bank charges and short term interest               | 949                           | 3,141               | 809                 |
| Interest on long term debt                         | 31,454                        | 25,436              | 28,512              |
| Other expenditures                                 | 5,000                         | 3,770               | 5,042               |
| Amortization of tangible capital assets            | -                             | 365,669             | 361,247             |
| (Gain) loss on disposal of tangible capital assets | -                             | (938)               | -                   |
|  | <u>\$ 1,685,446</u>           | <u>\$ 2,035,288</u> | <u>\$ 2,145,501</u> |

**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The Town of Irricana ("The Town") is a Municipality in the Province of Alberta. These consolidated financial statements are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA"). Significant aspects of the accounting policies adopted by the Town of Irricana are as follows:

**a) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, change in fund balances and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

**b) Basis of Accounting**

The accrual basis of accounting is followed for financial statement presentation. This basis includes revenues recognized in the period in which the transactions or events occurred that gave rise to the revenues, and expenses recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due.

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

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

**c) Use of Estimates**

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

**d) Investments**

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

**e) Requisition Over-levy and Under-levy**

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

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

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

**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**f) 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 that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

**g) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated Change in Net Financial Debt for the year.

**i) Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

|                             | <b>YEARS</b> |
|-----------------------------|--------------|
| Land improvements           | 15-20        |
| Buildings                   | 25-50        |
| Engineered structures       |              |
| Roads and sidewalks         | 20-30        |
| Storm sewers                | 75           |
| Water distribution system   | 45-75        |
| Wastewater treatment system | 45-75        |
| Machinery and equipment     | 5-20         |
| Vehicles                    | 10           |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii) Contributions of Tangible Capital Assets**

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

**iii) Leases**

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

**iv) Inventory for Consumption**

Inventories held for consumption are recorded at the lower of cost and replacement cost.

**iv) Cultural and Historical Tangible Capital Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**2. CASH**

|                   | <u>2012</u>         | <u>2011</u>         |
|-------------------|---------------------|---------------------|
| Petty cash        | 300                 | 300                 |
| Chequing accounts | 58,369              | 176,072             |
| Savings accounts  | 1,355,423           | 1,248,230           |
|                   | <u>\$ 1,414,092</u> | <u>\$ 1,424,602</u> |

The savings accounts are earning interest at 0.6 to 1.05% per annum.

Included in savings and provincial grants receivable is a restricted amount of \$1,433,696 (2011 - \$1,452,219) received from certain Alberta Government grants and private donations that are held exclusively for approved projects (Note 9).

**3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES**

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| Current taxes and grants in place of taxes | 211,077           | 265,575           |
| Arrears taxes                              | 113,659           | 108,764           |
|  | <u>\$ 324,736</u> | <u>\$ 374,339</u> |

**4. TRADE AND OTHER RECEIVABLES**

|                                   | <u>2012</u>       | <u>2011</u>       |
|-----------------------------------|-------------------|-------------------|
| Provincial grants receivable      | 150,366           | 74,580            |
| Water and sewer receivables       | 81,791            | 103,564           |
| Other                             | 21,485            | 8,728             |
| Goods and Services Tax receivable | 4,234             | 14,772            |
|                                   | <u>\$ 257,876</u> | <u>\$ 201,644</u> |

**5. TAX SALE TRUST ASSET**

|  | <u>2012</u>   | <u>2011</u>   |
|--|---------------|---------------|
| Tax sale trust                         | 793           | 793           |
| Balance of tax sale trust, end of year | <u>\$ 793</u> | <u>\$ 793</u> |

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

|                               | <u>2012</u>       | <u>2011</u>       |
|-------------------------------|-------------------|-------------------|
| Trade accounts payable        | 94,907            | 227,710           |
| Accrued liabilities           | 26,564            | 6,463             |
| Accrued vacation/time-in-lieu | 17,902            | 18,593            |
| Accrued interest payable      | 3,158             | 4,458             |
|                               | <u>\$ 142,531</u> | <u>\$ 257,224</u> |

**7. DEPOSIT LIABILITIES**

|                                 | <u>2012</u>     | <u>2011</u>      |
|---------------------------------|-----------------|------------------|
| Development bonds payable       | 8,500           | 9,500            |
| Builders' water and sewer bonds | 1,500           | 1,500            |
| Utility deposits payable        | (100)           | (100)            |
|                                 | <u>\$ 9,900</u> | <u>\$ 10,900</u> |

**8. OTHER LIABILITIES**

|                               | <u>2012</u>      | <u>2011</u>      |
|-------------------------------|------------------|------------------|
| Prepaid fees and licenses     | 376              | 376              |
| Prepaid property taxes        | 55,466           | 57,321           |
| Developer Letter of Guarantee | -                | 12,411           |
|                               | <u>\$ 55,842</u> | <u>\$ 70,108</u> |

The Developer Letter of Guarantee expired in July 2012, and as such, the funds are now the property of the Town. These funds have been transferred to Restricted Surplus - Economic Development.



**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**9. DEFERRED REVENUE**

|   | <b>2012</b>                | <b>2011</b>                |
|---|----------------------------|----------------------------|
| Municipal Sustainability Initiative - Capital   | <u><b>381,206</b></u>      | <u>229,235</u>             |
| Municipal Sustainability Initiative - Operating | -                          | 53,475                     |
| Alberta Municipal Infrastructure Program        | <b>929,116</b>             | 1,008,952                  |
| Streets Improvement Funding                     | <b>108,349</b>             | 124,295                    |
| New Deal for Cities and Communities             | <b>15,025</b>              | 25,306                     |
| ACE Community Funding                           | -                          | 4,531                      |
| Donations from third parties                    | -                          | 6,425                      |
|   | <u><b>\$ 1,433,696</b></u> | <u><b>\$ 1,452,219</b></u> |

**Municipal Sustainability Initiative - Capital**

Funding in the amount of \$306,589 was received in the current year from the Province of Alberta. This represents funds received for local capital projects and provincially enforced projects with neighbouring municipalities. \$154,991 was spent on various capital projects and \$373 in interest was earned in the current year. The grant money must be used by December 31, 2015.

**Municipal Sustainability Initiative - Operating**

Funding in the amount of \$77,280 was received in the current year. \$130,755 was spent on operating expenses.

**Alberta Municipal Infrastructure Program**

This is a five year funding program from the Province of Alberta to assist municipalities in developing their infrastructure. The Town is entitled to receive at least \$207,526 per year for five years. The balance represents the funds received 2005 and 2011, as well as interest earned. \$82,549 was used in the current year for work done on 1st and 2nd Street paving. \$2,713 is interest earned on the investments in the current year.

**Streets Improvement Funding**

The balance represents funds received for 2006 to 2011. \$19,761 was used for roadwork, with the balance being held for future projects in a short term investment. \$3,815 in interest was earned in the current year.

**New Deal for Cities and Communities**

The balance represents the funds received in 2011 from the Government of Canada and the Province of Alberta as well as interest earned. This amount is to be used to assist municipalities with their infrastructure needs. \$10,500 was used for work done on the Centennial Centre. \$219 was earned in interest in the current year.

**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**10. LONG TERM DEBT AND DEBENTURES**

|                          | <u>2012</u>       | <u>2011</u>       |
|--------------------------|-------------------|-------------------|
| Long term debt           | 10,921            | 21,841            |
| Tax supported debentures | 393,118           | 438,328           |
|                          | <u>\$ 404,039</u> | <u>\$ 460,169</u> |

Principal and interest repayments are due as follows:

|            | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|------------|-------------------|-------------------|-------------------|
| 2013       | 44,096            | 23,534            | 67,630            |
| 2014       | 15,612            | 21,147            | 36,759            |
| 2015       | 16,529            | 20,229            | 36,758            |
| 2016       | 17,500            | 19,258            | 36,758            |
| 2017       | 18,259            | 18,230            | 36,489            |
| Thereafter | 292,043           | 112,572           | 404,615           |
|            | <u>\$ 404,039</u> | <u>\$ 214,970</u> | <u>\$ 619,009</u> |

Debenture debt is repayable to Alberta Capital Finance Authority, and bears interest at rates ranging from 5.875% to 8.25% per annum before Provincial subsidy, and matures in periods 2012 through 2028. For qualifying debentures, the Province of Alberta rebates 60% of the interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Irricana at large.

There is debt repayable to New Holland Credit with semi-annual payments of \$5,460 with a zero interest rate and maturing July 2013. The debt is secured by a New Holland tractor with a carrying value of \$31,206.

The Town's total cash payments for interest on long term debt and debentures in 2012 was \$26,736 (2011 - \$29,724).

**11. DEBT LIMITS**

Section 276(2) of the Municipal Government Act requires that debt limits as defined by Alberta Regulation 255/00 for the Town of Irricana be disclosed as follows:

|                                       | <u>2012</u>         | <u>2011</u>         |
|---------------------------------------|---------------------|---------------------|
| Total debt limit                      | 2,798,057           | 2,728,199           |
| Total debt (Note 10)                  | 404,039             | 460,169             |
| Amount of unused debt limit           | <u>\$ 2,394,018</u> | <u>\$ 2,268,030</u> |
| Debt servicing limit                  | 466,343             | 454,700             |
| Debt servicing                        | 67,630              | 82,866              |
| Amount of unused debt servicing limit | <u>\$ 398,713</u>   | <u>\$ 371,834</u>   |

The debt limit is calculated at 1.5 times revenue of the municipality, as defined in Alberta Regulation 255/00, and the debt servicing 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 alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**12. TANGIBLE CAPITAL ASSETS**

|                                      | <b>2012</b>                | <b>2011</b>                |
|--------------------------------------|----------------------------|----------------------------|
| Land                                 | <u>618,395</u>             | <u>618,395</u>             |
| Land improvements                    | <u>187,210</u>             | <u>208,819</u>             |
| Buildings                            | <u>1,840,968</u>           | <u>1,842,396</u>           |
| Engineered structures                |                            |                            |
| Roads and sidewalks                  | <u>1,384,246</u>           | <u>1,427,139</u>           |
| Storm sewers                         | <u>121,624</u>             | <u>56,843</u>              |
| Water distribution system            | <u>2,805,861</u>           | <u>2,826,872</u>           |
| Wastewater treatment system          | <u>2,021,772</u>           | <u>2,033,377</u>           |
| Machinery, equipment and furnishings | <u>271,252</u>             | <u>331,939</u>             |
| Vehicles                             | <u>71,517</u>              | <u>1,414</u>               |
|                                      | <u><b>\$ 9,322,845</b></u> | <u><b>\$ 9,347,194</b></u> |

The Town of Irricana owns 13 original murals painted on the side of various buildings in the town. The artworks were donated to the town and have significant cultural and historical value in perpetuity. The artworks, valued at \$3,600, are not recorded as tangible capital assets in the financial statements and are not amortized.

**13. EQUITY IN TANGIBLE CAPITAL ASSETS**

|                                       | <b>2012</b>                | <b>2011</b>                |
|---------------------------------------|----------------------------|----------------------------|
| Tangible capital assets (Schedule 2)  | <u>15,461,828</u>          | <u>15,128,746</u>          |
| Accumulated amortization (Schedule 2) | <u>(6,138,983)</u>         | <u>(5,781,552)</u>         |
| Long term debt (Note 10)              | <u>(404,039)</u>           | <u>(460,169)</u>           |
|                                       | <u><b>\$ 8,918,806</b></u> | <u><b>\$ 8,887,025</b></u> |

**14. PREPAID EXPENSES**

|                  | <b>2012</b>            | <b>2011</b>             |
|------------------|------------------------|-------------------------|
| Deposit on truck | <u>-</u>               | <u>74,510</u>           |
| Other            | <u>4,773</u>           | <u>9,275</u>            |
|                  | <u><b>\$ 4,773</b></u> | <u><b>\$ 83,785</b></u> |

**15. ACCUMULATED SURPLUS**

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

|   | <b>2012</b>                | <b>2011</b>                |
|---|----------------------------|----------------------------|
| Unrestricted surplus (deficit)              | <u>72,996</u>              | <u>(59,200)</u>            |
| Restricted surplus                          |                            |                            |
| Operating                                   | <u>13,477</u>              | <u>22,149</u>              |
| General equipment replacement               | <u>2,451</u>               | <u>2,451</u>               |
| Street operating                            | <u>-</u>                   | <u>974</u>                 |
| Water                                       | <u>162,006</u>             | <u>168,523</u>             |
| Sewer system                                | <u>61,120</u>              | <u>117,111</u>             |
| Transfer site                               | <u>960</u>                 | <u>960</u>                 |
| Cemetery                                    | <u>200</u>                 | <u>200</u>                 |
| Economic development                        | <u>10,223</u>              | <u>10,223</u>              |
| Recreation                                  | <u>16,516</u>              | <u>16,516</u>              |
| Campground                                  | <u>14,000</u>              | <u>17,230</u>              |
| Community Hall                              | <u>8,053</u>               | <u>8,052</u>               |
| Subdivision                                 | <u>13,963</u>              | <u>1,552</u>               |
| Equity in tangible capital assets (Note 13) | <u>8,918,806</u>           | <u>8,887,025</u>           |
|   | <u><b>\$ 9,294,771</b></u> | <u><b>\$ 9,193,766</b></u> |

**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**16. SALARY AND BENEFITS DISCLOSURE**

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

|                              | Salary <sup>1</sup> | Benefits and Allowances <sup>2</sup> | Total<br>2012     | Total<br>2011     |
|------------------------------|---------------------|--------------------------------------|-------------------|-------------------|
| Mayor                        |                     |                                      |                   |                   |
| Lisa Constantini             | 9,428               | 288                                  | 9,716             | 10,004            |
| Councillors                  |                     |                                      |                   |                   |
| Andrew Carr                  | 3,127               | 33                                   | 3,160             | 3,193             |
| Peter Dunn                   | 400                 | 5                                    | 405               | -                 |
| Frank Dusome                 | 3,279               | 46                                   | 3,325             | 3,371             |
| Larry Martin                 | 5,618               | 92                                   | 5,710             | 5,802             |
| Joshua Taylor                | 3,600               | 48                                   | 3,648             | 3,696             |
| Chief Administrative Officer | 80,032              | 6,747                                | 86,779            | 93,526            |
|                              | <u>\$ 105,484</u>   | <u>\$ 7,259</u>                      | <u>\$ 112,743</u> | <u>\$ 119,592</u> |

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

2) Employer's share of all employee benefits and contributions made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

**17. COMMITMENTS**

The Town has numerous agreements and commitments in place which are in the normal course of operations. They would include contracts for bylaw enforcement, collection and disposition of solid waste, account software maintenance, utility contracts, and property tax assessments. These agreements are reviewed regularly and renewed as necessary.

The Town is committed to adhering to the Collective Agreement of CUPE Local Sub37 dated October 1, 2011, and agreed to by the Union and the employee members. The Collective Agreement is in effect up to and including December 31, 2012.

The Town is committed to paying the County of Rocky View \$10,000 per annum for operating the Waste Transfer Site.

**18. CONTINGENCIES**

The Town of Irricana is a member of the Alberta 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.

**19. RELATED PARTY TRANSACTIONS**

The Aqua 7 Regional Water Commission has been identified as a related party. The Town of Irricana has entered into an agreement with the Commission for a supply of water service.

Service fees are based on budgeted operating costs of the Commission. Water purchases are based on actual water consumption during the year. Fees and rates are reviewed by the Commission on an annual basis.

Service fees and water purchases paid to the Commission for 2012 were \$311,385 (2011 - \$283,187).

Amount payable to the Commission at December 31, 2012 is \$26,680 (2011 - \$116,908).

**TOWN OF IRRICANA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**20. FINANCIAL INSTRUMENTS**

The Town's financial instruments consist of cash, taxes and grants in place of taxes receivables, trade and other receivables, tax sale trust asset, accounts payable and accrued liabilities, tax sale trust liability, deposit liabilities, other liabilities, and long term debt and debentures.

Interest Rate Risk

The Town has fixed interest rates through the debenture financing with Alberta Municipal Affairs. The Town's exposure to interest rate risk is negligible, related only to the market value of these debentures, which are not traded.

Credit Risk

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

Fair Market Value

The fair values of these financial instruments, where determinable, approximate their carrying amounts unless otherwise noted.

**21. COMPARATIVE FIGURES**

The prior year comparative figures have been reclassified where necessary to conform to the current year presentation.

**22. APPROVAL OF FINANCIAL STATEMENTS**

Council and Management have approved these financial statements.