
TOWN OF IRRICANA

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

TOWN OF IRRICANA

DECEMBER 31, 2021

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidates Statement of Changes in Net Financial Assets (Debt)	6
Consolidated Statement of Cash Flows	7
Schedule 1 - Changes in Accumulated Surplus	8
Schedule 2 - Tangible Capital Assets	9
Schedule 3 - Property and Other Taxes	10
Schedule 4 - Government Transfers	11
Schedule 5 - Consolidated Expenses by Object	12
Schedule 6 - Segmented Expenses	13
Notes to Consolidated Financial Statements	14 - 25
Management's Responsibility for Financial Reporting	26



SCASE & PARTNER

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL TOWN OF IRRICANA

Report on the Audit of Financial Statements

Opinion

We have audited the consolidated financial statements of Town of Irricana, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations, the consolidated statement of changes in net financial assets (debt) and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of Town of Irricana as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Town'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 Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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 Town'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 Town'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 consolidated 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 Town 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 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 Town to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the town 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:

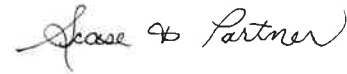
In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 9.

- Supplementary Accounting Principles and Standards Regulation:

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 14.

The engagement partner on the audit resulting in this independent auditor's report is Darryl Scase.

May 2, 2022
Calgary, Alberta



Chartered Professional Accountants

TOWN OF IRRICANA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 982,087	\$ 796,081
Receivables:		
Taxes and grants in lieu receivable (Note 3)	125,962	79,986
Trade and other receivables (Note 3)	107,801	115,456
Due from other governments (Note 3)	949,116	1,036,916
Land held for resale	578,354	578,354
	2,743,320	2,606,793
LIABILITIES		
Accounts payable and accrued liabilities	183,234	355,906
Deposit liabilities	119,065	43,263
Deferred revenue (Note 7)	1,621,797	1,525,729
Long term debt (Note 8)	545,340	613,782
	2,469,436	2,538,680
NET FINANCIAL ASSETS	273,884	68,113
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2, Note 5)	9,926,880	10,171,478
Prepaid expenses (Note 4)	35,156	13,819
	9,962,036	10,185,297
ACCUMULATED SURPLUS (Schedule 1, Note 11)	\$10,235,920	\$10,253,410

APPROVED:

Mayor

Councilor

The accompanying notes form an integral part of these financial statements

TOWN OF IRRICANA

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2021

	BUDGET (Unaudited)	2021	2020
REVENUE			
Net municipal taxes (Schedule 3)	\$ 1,073,867	\$ 1,059,214	\$ 1,011,178
User fees and sales	648,445	555,348	535,557
Government transfers (Schedule 4)	88,000	141,979	155,398
Penalties and costs of taxes	32,000	44,003	8,172
Licences and permits	18,250	11,508	10,023
Fines	1,000	-	144
Franchise and concession contracts	37,000	25,817	22,842
Investment income	5,000	3,625	6,141
Rentals	47,100	18,983	63,981
Other	127,700	78,222	53,130
	2,078,362	1,938,699	1,866,566
EXPENSES			
Legislative	48,000	45,682	74,116
Administration	370,935	540,440	469,791
Fire and disaster	99,000	100,507	79,341
Bylaws enforcement	37,400	23,747	450
Common service	241,095	291,917	503,798
Roads, streets, walks, lighting	216,350	250,524	226,097
Water supply and distribution	504,409	524,965	582,766
Wastewater treatment and disposal	76,137	79,234	141,643
Waste management	136,877	119,176	177,726
Family and community support	38,187	27,050	44,495
Cemeteries	2,500	576	1,838
Land use, planning, zoning and development	18,557	16,186	3,000
Subdivision land development	23,298	28,741	14,466
Parks and recreation	162,867	194,026	142,212
Culture	80,750	89,835	102,837
	2,056,362	2,332,606	2,564,576
(SHORTFALL) OF REVENUE OVER EXPENSES			
- BEFORE OTHER	22,000	(393,907)	(698,010)
OTHER			
Government transfers for capital (Schedule 4)	28,000	376,417	75,257
(SHORTFALL) OF REVENUE OVER EXPENSES	50,000	(17,490)	(622,753)
ACCUMULATED SURPLUS, beginning of year	10,253,410	10,253,410	10,876,163
ACCUMULATED SURPLUS, end of year	\$10,303,410	\$10,235,920	\$10,253,410

The accompanying notes form an integral part of these financial statements

TOWN OF IRRICANA

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2021

	BUDGET (Unaudited)	2021	2020
(SHORTFALL) OF REVENUES OVER EXPENSES	\$ 50,000	\$ (17,490)	\$ (622,753)
Acquisition of tangible capital assets	-	(245,654)	(305,038)
Amortization of tangible capital assets	-	490,251	592,159
	-	244,597	287,121
Acquisition of prepaid assets	(35,156)	(35,156)	(13,819)
Use of prepaid assets	13,819	13,819	13,819
	(21,337)	(21,337)	-
INCREASE (DECREASE) IN NET ASSETS	28,663	205,770	(335,632)
NET FINANCIAL ASSETS, beginning of year	68,114	68,114	403,746
NET FINANCIAL ASSETS, end of year	\$ 96,777	\$ 273,884	\$ 68,114

The accompanying notes form an integral part of these financial statements

TOWN OF IRRICANA

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (17,490)	\$ (622,753)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	490,251	592,159
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(45,975)	54,600
Decrease (increase) in due from other governments	87,800	(381,989)
Decrease (increase) in trade and other receivables	7,655	(21,573)
Decrease (increase) in prepaid expenses	(21,337)	-
Increase (decrease) in accounts payable and accrued liabilities	(172,672)	222,982
Increase (decrease) in deposit liabilities	75,802	(57,196)
Increase (decrease) in deferred revenue	96,068	536,972
CASH PROVIDED BY OPERATING TRANSACTIONS	500,102	323,202
CAPITAL		
Acquisition of tangible capital assets	(245,654)	(305,038)
CASH APPLIED TO CAPITAL TRANSACTIONS	(245,654)	(305,038)
FINANCING		
Long-term debt repaid	(68,442)	(65,545)
CASH APPLIED TO FINANCING TRANSACTIONS	(68,442)	(65,545)
CHANGE IN CASH AND CASH EQUIVALENTS	186,006	(47,381)
CASH AND CASH EQUIVALENTS, beginning of year	796,081	843,462
CASH AND CASH EQUIVALENTS, end of year	\$ 982,087	\$ 796,081
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	\$ 982,087	\$ 796,081
INTEREST PAID ON LONG-TERM DEBT	\$ 26,154	\$ 30,840

The accompanying notes form an integral part of these financial statements

TOWN OF IRRICANA

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE , beginning of year	\$ (162,862)	\$ 474,193	\$ 9,942,079	\$10,253,410	\$10,876,163
Excess (deficiency) of revenues over expenses	(17,490)	-	-	(17,490)	(622,753)
Current year funds used for tangible capital assets	(245,654)	-	245,654	-	-
Annual amortization expense	490,251	-	(490,251)	-	-
Long term debt repaid	(23,282)	-	23,282	-	-
Change in accumulated surplus	203,825	-	(221,315)	(17,490)	(622,753)
BALANCE , end of year	\$ 40,963	\$ 474,193	\$ 9,720,764	\$10,235,920	\$10,253,410

TOWN OF IRRICANA

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 2

		LAND		ENGINEERED STRUCTURES			MACHINERY AND				
		LAND	IMPROVEMENT	BUILDINGS	ROADS AND	WATER	WASTE	EQUIPMENT	VEHICLES	2021	2020
					STREETS	SYSTEM	SYSTEM				
COST:											
BALANCE, beginning of year	\$	626,309	\$ 628,516	\$ 4,652,565	\$ 5,091,170	\$ 4,496,283	\$ 3,106,103	\$ 1,019,239	\$ 220,382	\$ 19,840,567	\$ 19,535,529
Acquisition of tangible capital assets	-	-	13,409	52,351	81,343	-	78,046	20,505	-	245,654	305,038
Disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-
BALANCE, end of year		626,309	641,925	4,704,916	5,172,513	4,496,283	3,184,149	1,039,744	220,382	20,086,221	19,840,567
ACCUMULATED AMORTIZATION:											
BALANCE, beginning of year	-	-	242,826	2,360,713	3,396,073	1,539,475	1,315,707	652,805	161,491	9,669,090	9,076,931
Annual amortization	-	-	29,276	99,873	156,653	75,590	50,481	59,973	18,405	490,251	592,159
Accumulated amort on disposals	-	-	-	-	-	-	-	-	-	-	-
BALANCE, end of year			272,102	2,460,586	3,552,726	1,615,065	1,366,188	712,778	179,896	10,159,341	9,669,090
NET BOOK VALUE OF											
TANGIBLE CAPITAL ASSETS	\$	626,309	\$ 369,823	\$ 2,244,330	\$ 1,619,787	\$ 2,881,218	\$ 1,817,961	\$ 326,966	\$ 40,486	\$ 9,926,880	\$ 10,171,477
2020 NET BOOK VALUE OF											
TANGIBLE CAPITAL ASSETS	\$	626,309	\$ 385,690	\$ 2,291,852	\$ 1,695,097	\$ 2,956,808	\$ 1,790,396	\$ 366,434	\$ 58,891	\$ 10,171,477	

TOWN OF IRRICANA

SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 3

	BUDGET (Unaudited)	2021	2020
TAXATION			
Real property taxes, net of requisitions	\$ 1,346,258	\$ 994,355	\$ 939,815
Linear property taxes, net of requisitions	15,358	10,406	16,521
Non residential, net of requisitions	54,623	54,453	54,842
Net property tax	\$ 1,416,239	\$ 1,059,214	\$ 1,011,178
REQUISITIONS			
Alberta School Foundation Fund	\$ 311,974	\$ 302,636	\$ 313,665
Calgary Separate School District #1	23,482	34,724	31,169
Rocky View Seniors Foundation Fund	6,916	6,915	4,776
Total requisitions	\$ 342,372	\$ 344,275	\$ 349,610

TOWN OF IRRICANA

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 4

	BUDGET (Unaudited)	2021	2020
TRANSFERS FOR OPERATING:			
Provincial Government	\$ 86,800	\$ 138,829	\$ 151,198
Other Local Governments	1,200	-	-
Federal Government	-	3,150	4,200
	88,000	141,979	155,398
TRANSFERS FOR CAPITAL:			
Provincial Government	28,000	376,417	75,257
	28,000	376,417	75,257
TOTAL GOVERNMENT TRANSFERS	\$ 116,000	\$ 518,396	\$ 230,655

TOWN OF IRRICANA

SCHEDULE OF EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 5

	BUDGET (Unaudited)	2021	2020
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	\$ 682,039	\$ 678,111	\$ 567,279
Contracted and general services	755,218	537,805	634,559
Materials, goods and utilities	523,505	478,717	601,989
Provision for allowances	-	185	5
Transfers to local boards and agencies	89,600	113,293	96,798
Bank charges and short-term interest	5,000	6,528	7,584
Interest on long-term debt	-	26,154	30,840
Other expenses	1,000	1,562	33,361
Amortization of tangible capital assets	-	490,251	592,159
	\$ 2,056,362	\$ 2,332,606	\$ 2,564,574

TOWN OF IRRICANA

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 1,059,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,059,215
Government transfers	106,574	-	260,642	-	62,809	52,966	35,405	518,396
User fees and sales of goods	-	-	-	250	-	555,097	-	555,347
Investment income	3,625	-	-	-	-	-	-	3,625
Other revenues	155,267	3,845	1,125	4,872	7,546	5,527	350	178,532
	<u>1,324,681</u>	<u>3,845</u>	<u>261,767</u>	<u>5,122</u>	<u>70,355</u>	<u>613,590</u>	<u>35,755</u>	<u>2,315,115</u>
EXPENSES								
Contract & general services	239,925	24,754	18,456	441	40,648	193,481	20,100	537,805
Salaries and wages	262,033	-	210,400	28,645	89,534	80,549	6,950	678,111
Goods and supplies	32,552	8,618	94,079	-	34,924	307,967	576	478,716
Transfers to local boards	-	82,705	-	3,000	27,588	-	-	113,293
Long-term debt interest	-	-	-	12,842	-	13,312	-	26,154
Other expenses	8,274	-	-	-	-	-	-	8,274
	<u>542,784</u>	<u>116,077</u>	<u>322,935</u>	<u>44,928</u>	<u>192,694</u>	<u>595,309</u>	<u>27,626</u>	<u>1,842,353</u>
NET REVENUE BEFORE AMORTIZATION								
Amortization Expense	781,897	(112,232)	(61,168)	(39,806)	(122,339)	18,281	8,129	472,762
Amortization Expense	43,338	8,177	219,505	-	91,167	128,065	-	490,252
NET REVENUE	\$ 738,559	\$ (120,409)	\$ (280,673)	\$ (39,806)	\$ (213,506)	\$ (109,784)	\$ 8,129	\$ (17,490)

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Irricana are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting Entity

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

Irricana Family & Community Support Services

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

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

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records 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. 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 public sector accounting standards for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts 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.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(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-levies and Under-levies

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.

(f) Inventories for resale

Land held for resale is recorded at the 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 the respective functions. Although inventory of land held for resale may not be sold for a number of years due to various reasons including market conditions, management evaluates its classification as a financial asset annually.

(g) Tax Revenues

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.

(h) 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.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) 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 revenues over expenses, provides the consolidated Change in Net Financial Assets (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 assets. The cost less residual value of the tangible capital assets are amortized on a straight-line basis over the estimated useful life as follows:

Land Improvements	15-20 years
Buildings	25-50 years
Engineered Structures	
Water System	35-65 years
Wastewater system	35-65 years
Other engineered structures	15-40 years
Machinery and equipment	5-20 years
Vehicles	3-20 years

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 are 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 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. Inventories used internally

Inventories held for consumption are recorded at the lower of cost and replacement cost. This cost is reported as part of prepaid expenses.

(j) Reserves for Future Expenditures

Reserves are established at the discretion of council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the applicable fund.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(k) Fund Accounting

Funds consist of the operating, tangible capital asset, and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Principal payments on debt are recorded as an increase in the capital fund and debt interest payments are recorded as operating fund expenditure. Proceeds from sales of land held for resale are recorded as operating fund revenues.

(l) Taxes and Grants in Lieu Receivable

Current taxes and grants in lieu receivable consist of current tax levies that remain outstanding at December 31, 2021.

(m) Interest on Long Term Debt

Interest on long-term debt is recorded as an expenditure as the payment is made and there is an accrual for long-term debt interest payable at the end of the year.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2021</u>	<u>2020</u>
Cash	\$ 137,632	\$ 506,745
Temporary investments	<u>844,455</u>	<u>289,336</u>
	<u>\$ 982,087</u>	<u>\$ 796,081</u>

Cash consists of cash on hand and funds on deposit with financial institutions.

Temporary investments and short term deposits have maturities of three months or less. These investments earn interest at rates ranging from 0.180% to 2.45%.

	<u>2021</u>	<u>2020</u>
<u>Restricted funds</u>		
Restricted reserves	\$ 474,193	\$ 474,193
Deferred revenue	692,348	534,473
Deposits and other	<u>119,065</u>	<u>43,263</u>
Total restricted funds	<u>\$ 1,285,606</u>	<u>\$ 1,051,929</u>
<u>Working capital</u>		
Cash	\$ 982,087	\$ 796,081
Accounts receivable including grants receivable	1,182,879	1,232,358
Inventory of land for sale	578,354	578,354
Less current liabilities and deferred revenue	(1,924,096)	(1,924,898)
Less current portion of long term debt	<u>(71,428)</u>	<u>(68,440)</u>
Net working capital	<u>\$ 747,796</u>	<u>\$ 613,455</u>

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

3. RECEIVABLES

	<u>2021</u>	<u>2020</u>
<u>Property taxes</u>		
Current taxes and grants in place of taxes	\$ 111,635	\$ 79,986
Arrears taxes	<u>14,328</u>	<u>-</u>
	125,963	79,986
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 125,963</u>	<u>\$ 79,986</u>
<u>Other</u>		
Accounts receivable - utilities	\$ 104,643	\$ 115,456
Trade and other receivables	3,158	-
Due from governments	<u>949,116</u>	<u>1,036,916</u>
	1,056,917	1,152,372
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 1,056,917</u>	<u>\$ 1,152,372</u>
Total accounts receivable	<u>\$ 1,182,880</u>	<u>\$ 1,232,358</u>

4. PREPAID EXPENSES

	<u>2021</u>	<u>2020</u>
Prepaid general services and supplies	<u>\$ 35,156</u>	<u>\$ 13,819</u>

Prepaid expenses are for parts and supplies to be used by the Town's public works department. They also include prepayment of Q1 2022 fire services requisition to the Rocky View County.

5. TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
NET BOOK VALUE		
Land	\$ 626,309	\$ 626,309
Land Improvements	369,823	385,690
Buildings	2,244,329	2,291,853
Engineered Structures		
Roadway system	1,619,788	1,695,098
Water distribution system	2,881,218	2,956,808
Wastewater treatment system	1,817,962	1,790,396
Machinery, equipment and furnishings	326,965	366,434
Vehicles	<u>40,486</u>	<u>58,890</u>
	<u>\$ 9,926,880</u>	<u>\$10,171,478</u>

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

6. OPERATING LINE OF CREDIT

The Town has a revolving line of credit facility with ATB Financial to an authorized limit of \$490,000 with interest calculated at a ATB prime plus 0.75%. The prime rate at December 31, 2021 was 2.45%. Security is provided by the Town at large. At year end there was no balance outstanding.

7. DEFERRED REVENUE

	<u>2021</u>	<u>2020</u>
MSI capital	\$ 971,634	\$ 842,409
CCBF	569,966	427,586
BMTG	27,750	46,902
Other deferred revenue	<u>52,447</u>	<u>208,832</u>
	<u>\$ 1,621,797</u>	<u>\$ 1,525,729</u>

8. LONG-TERM DEBT

	<u>2021</u>	<u>2020</u>
Tax supported debentures - ACFA	\$ 206,116	\$ 229,397
Mortgage payable - Connect First	<u>339,225</u>	<u>384,385</u>
	<u>\$ 545,341</u>	<u>\$ 613,782</u>
Current Portion	<u>\$ 71,428</u>	<u>\$ 68,440</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 71,428	\$ 23,332	\$ 94,760
2023	74,555	20,205	94,760
2024	77,827	16,933	94,760
2025	81,251	13,509	94,760
2026	84,835	9,925	94,760
Thereafter	<u>155,444</u>	<u>6,265</u>	<u>161,709</u>
	<u>\$ 545,340</u>	<u>\$ 90,169</u>	<u>\$ 635,509</u>

Debenture debt is repayable to Alberta Capital Finance Authority, and bears interest at 5.875% per annum, before Provincial subsidy, and matures in 2028. Debenture debt is issued on the credit and security of the Town of Irricana at large.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

8. LONG-TERM DEBT, continued

The mortgage is repayable to First Connect Credit Union starting in 2018 with blended principal and interest monthly payments of \$4,833. Interest is at a 5 year fixed term of 3.53%. The Town has the option of 10% monthly addition to the regular monthly payment. Security for the mortgage by way of a borrowing resolution of the Town of Irricana includes a charge over the property purchased, assignments of rents and a general security agreement covering all present and after acquired personal property.

9. DEBT LIMITS

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

	<u>2021</u>	<u>2020</u>
Total debt limit	\$ 2,908,049	\$ 2,799,849
Total debt	<u>(545,340)</u>	<u>(613,782)</u>
Amount of debt limit (exceeded) unused	<u>\$ 2,362,709</u>	<u>\$ 2,186,067</u>
	<u>2021</u>	<u>2020</u>
Debt servicing limit	\$ 484,675	\$ 466,642
Debt servicing	<u>(94,760)</u>	<u>(94,760)</u>
Amount of debt servicing limit (exceeded) unused	<u>\$ 389,915</u>	<u>\$ 371,882</u>

The debt limit is calculated as 1.5 times revenue of the municipality (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 that 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.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 2)	\$20,086,220	\$19,840,567
Accumulated amortization (Schedule 2)	(10,159,341)	(9,669,090)
Long-term debt (Note 8)	<u>(206,116)</u>	<u>(229,397)</u>
	<u>\$ 9,720,763</u>	<u>\$ 9,942,080</u>

11. ACCUMULATED SURPLUS

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 40,964	\$ (162,862)
Restricted surplus	474,193	474,193
Equity in tangible capital assets	<u>9,720,763</u>	<u>9,942,080</u>
	<u>\$10,235,920</u>	<u>\$10,253,411</u>

12. RESERVES

	<u>2021</u>	<u>2020</u>
Water	\$ 164,256	\$ 164,256
Sewer system	115,945	115,945
Economic development	45,571	45,571
Recreation	36,000	36,000
Campground	31,236	31,236
Subdivision	26,463	26,463
Community hall	13,861	13,861
Operating	11,770	11,770
Transfer site	10,960	10,960
Cemetery	8,200	8,200
General equipment replacement	6,931	6,931
Street operating	<u>3,000</u>	<u>3,000</u>
Total Reserves	<u>\$ 474,193</u>	<u>\$ 474,193</u>

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

13. SEGMENTED DISCLOSURE

The Town of Irricana provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6).

14. SALARY AND BENEFITS DISCLOSURE

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

	<u>2019</u>			<u>2020</u>
	Salary (1)	Benefits and Allowances (2)	Total	Total
Mayor Frank Friesen	\$ 10,800	\$ -	\$ 10,800	\$ 10,800
Deputy Mayor Kim Schmaltz	7,200	-	7,200	7,200
Councillor James Bryson	6,092	-	6,092	7,200
Councillor Debra Day	7,200	-	7,200	7,200
Councillor Lisa McAree	1,108	-	1,108	-
Councillor Tracy Shields	6,092	-	6,092	7,200
Councillor Anton Van Arendonk	1,108	-	1,108	-
Barrie Hutchinson - CAO	52,600	-	52,600	6,000
Ted Coffey - CAO	-	-	-	46,108
Designated Officer - Assessor	14,499	-	14,499	14,422

- (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 or payments 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.
- (3) Benefits and allowance figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement services, concession loans, travel allowances, car allowances and club memberships.

15. CONTINGENCIES

The Town 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.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

16. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the town is not exposed to significant interest or currency risk arising from these financial instruments.

Financial instruments that are traded on an exchange are reported at fair market value at the reporting date. The adjustment to fair value at the reporting period is reported as an unrealized gain or loss in the statement of operations. All other financial instruments are reported at amortized cost unless there is a permanent decline in value at which time the adjustment to fair value is recorded as an unrealized loss in the statement of operations.

The town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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 minimize the credit risk. Unless otherwise noted, the stated values of these financial instruments approximate fair value.

Unless otherwise noted, the carrying value of these financial instruments approximates their fair value.

17. COMMITMENTS

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

The Town is party to the Collective Agreement with CUPE Local Sub37 and agreed to by the Union and the employee members. The Collective Agreement is in effect up to and including December 31, 2022.

The Town has a long term agreement as a member of the Acqua 7 Regional Water Commission for the maintenance of a fresh water pipeline and supply of water to the Town itself. The Town is subject to an annual set maintenance fee plus a consumption rate for water used by the Town and residents of the Town.

The Town purchased new software "Muniware" for accounting and operations of the Town in 2019. The Town has agreed to pay a monthly fee of \$817 plus GST for maintenance and support of the software. This is an annual term agreement from January 1 to December 31, of each year and is to be renewed each following year. The maintenance fee may increase in future years. Other specific fees for additional services are not covered in this maintenance fee and are charged at the rates provided.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

18. RELATED PARTY TRANSACTIONS

The Aqua 7 Regional Water Commission has been identified as a related party. The Town 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 2021 were \$333,947 (2020 - \$377,512). Amount payable to the Commission at December 31, 2021 is \$21,660 (2020 - \$23,162).

19. PRIOR PERIOD ADJUSTMENT

At the year ended December 31, 2019, the prior administration had created a list of accounts payable that totaled \$68,675. The accounts payable were not reversed in the year ending December 31, 2020. As a result the December 31, 2020 year end had expenses overstated by \$68,675. The adjustment, if made at the end of December 31, 2020 would have resulted in the following annual operating deficit adjustment.

Net deficit reported December 31, 2020	\$ (622,753)
Adjustment for correction of accounts payable	<u>68,675</u>
Net deficit December 31, 2020 adjusted for accounts payable	\$ <u>(554,078)</u>

The processing of the adjustment for the carryforward of the December 31, 2019 accounts payable was done in the December 31, 2021 year end. As a result the overall municipal surplus had not change with the correction. It is only the timing of the reporting of the adjustment between the two years.

20. DISCLOSURE RELATED TO IMPACT OF GLOBAL HEALTH PANDEMIC COVID-19 ON THE TOWN

The Coronavirus (COVID-19) arose in the first part of the 2020 fiscal year. Management and town council had evaluated the potential impact on the operations. The evaluation included the source of revenue for the town and the impact that the shutdown would have on the continued ability to provide services to all citizens and businesses of the community.

Both the federal and provincial governments have reduced, and some cases ended the restriction subsequent to the current year ended. Town management and council remain conscious of the ongoing risks with COVID and have ensured compliance with appropriate controls to minimize any potential new outbreaks.

21. COMPARATIVE INFORMATION

Certain 2020 comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

TOWN OF IRRICANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

22. ROUNDING DUE TO FORMULAS

Certain totals will vary due to the rounding of formulas.

23. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.