

VILLAGE OF BARONS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

VILLAGE OF BARONS

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL VILLAGE OF BARONS

We have audited the consolidated financial statements of the Village of Barons, which comprise the consolidated statement of financial position for the year ended December 31, 2018 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated statements present fairly, in all material respects the financial position of the Village of Barons as at December 31, 2018, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Village of Barons in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards organizations and for such internal control as management determines is necessary to enable the preparation of the 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 Municipality'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipalities financial reporting process.

Auditor's responsibility 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 consolidated 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 Municipality'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 Municipality'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 Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Municipality's 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.

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

April 15, 2019
Calgary, Alberta



Professional Accountants

VILLAGE OF BARONS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and investments (Note 2)	\$ 721,554	\$ 595,031
Receivables:		
Taxes and grants in lieu receivable (Note 3)	83,746	72,572
Trade and other receivables	78,563	36,246
Due from other governments - GST	10,222	11,336
Land held for resale	16,345	16,345
	910,430	731,530
LIABILITIES		
Accounts payable and accrued liabilities	647	478
Deposit liabilities (Note 6)	19,804	15,778
Deferred revenue (Note 6)	240,536	66,468
Long term debt (Note 5)	113,065	122,940
	374,052	205,664
NET FINANCIAL ASSETS (DEBT)	536,378	525,866
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	2,964,738	3,013,557
Prepaid expenses	22,306	20,722
	2,987,044	3,034,279
ACCUMULATED SURPLUS (Schedule 1, (Note 10))	\$ 3,523,422	\$ 3,560,145

APPROVED:

_____ **Mayor**

_____ **Councilor**

The accompanying notes form an integral part of these financial statements

VILLAGE OF BARONS

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018

	BUDGET (Unaudited)	2018	2017
REVENUE			
Net municipal taxes (Schedule 3)	\$ 225,066	\$ 227,124	\$ 216,419
User fees and sales	259,700	205,425	164,633
Penalties and costs of taxes	13,000	13,854	13,022
Government transfers (Schedule 4)	-	70,268	42,782
Fines	-	1,495	4,210
Franchise and concession contracts	24,000	18,293	23,886
Investment income	4,000	6,691	7,608
Licences and permits	2,100	895	925
Other	58,440	56,440	55,388
	586,306	600,485	528,873
EXPENSES			
Legislative	17,750	16,347	15,306
Administration	237,470	204,214	225,255
Fire	114,075	90,843	86,689
Bylaws enforcement	16,200	23,475	11,250
Common service	32,890	58,608	53,074
Roads, streets, walks, lighting	133,294	75,303	79,190
Water supply and distribution	129,838	118,117	156,948
Wastewater treatment and disposal	47,051	42,706	39,980
Waste management	47,523	44,238	46,123
Family and community support	2,544	2,544	2,325
Subdivision land development	23,290	19,202	6,925
Parks and recreation	34,165	40,296	47,073
Culture	3,400	-	-
	839,490	735,893	770,138
(SHORTFALL) OF REVENUE OVER EXPENSES			
- BEFORE OTHER	(253,184)	(135,408)	(241,265)
Government transfers for capital (Schedule 4)	262,179	98,685	515,796
EXCESS OF REVENUE OVER EXPENSES	8,995	(36,723)	274,531
ACCUMULATED SURPLUS, beginning of year	7,231,712	3,560,145	3,285,614
ACCUMULATED SURPLUS, end of year	\$ 7,240,707	\$ 3,523,422	\$ 3,560,145

The accompanying notes form an integral part of these financial statements

VILLAGE OF BARONS

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT) FOR THE YEAR ENDED DECEMBER 31, 2018

	BUDGET (Unaudited)	2018	2017
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 8,995	\$ (36,723)	\$ 274,531
Acquisition of tangible capital assets	160,800	(88,100)	(168,691)
Proceeds on disposal of tangible capital assets	-	-	45,000
Amortization of tangible capital assets	-	136,918	137,567
(Gain) loss on sale of tangible capital assets	-	-	(33,867)
	160,800	48,818	(19,991)
Acquisition of prepaid assets	-	(22,306)	(20,722)
Use of prepaid assets	-	20,724	20,916
	-	(1,582)	194
DECREASE (INCREASE) IN NET DEBT	<u>\$ 169,795</u>	10,513	254,734
NET FINANCIAL ASSETS, beginning of year		525,866	271,132
NET FINANCIAL ASSETS, end of year		\$ 536,379	\$ 525,866

The accompanying notes form an integral part of these financial statements

VILLAGE OF BARONS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (36,723)	\$ 274,531
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	136,918	137,567
(Gain) loss on disposal of tangible capital assets	-	(33,867)
Prior year adjustment (Note 4)	-	-
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(11,174)	(16,656)
Decrease (increase) in due from government receivables	1,114	724
Decrease (increase) in trade other receivables	(42,318)	29,454
Decrease (increase) in prepaid expenses	(1,584)	192
Increase (decrease) in accounts payable and accrued liabilities	169	(4,687)
Increase (decrease) in deposit liabilities	4,027	17
Increase (decrease) in deferred revenue	174,068	(302,228)
CASH PROVIDED BY OPERATING TRANSACTIONS	224,497	85,047
CAPITAL		
Acquisition of tangible capital assets	(88,100)	(168,691)
Sale of tangible capital assets	-	45,000
CASH APPLIED TO CAPITAL TRANSACTIONS	(88,100)	(123,691)
FINANCING		
Long-term debt repaid	(9,874)	(9,424)
CASH APPLIED TO FINANCING TRANSACTIONS	(9,874)	(9,424)
CHANGE IN CASH AND CASH EQUIVALENTS	126,523	(48,068)
CASH AND CASH EQUIVALENTS, beginning of year	595,031	643,099
CASH AND CASH EQUIVALENTS, end of year	\$ 721,554	\$ 595,031
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	\$ 721,554	\$ 595,031
Less: restricted portion of cash and cash investments	(342,112)	(164,017)
	\$ 379,442	\$ 431,014
INTEREST PAID ON LONG-TERM DEBT	\$ 5,695	\$ 6,145

The accompanying notes form an integral part of these financial statements

VILLAGE OF BARONS

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE , beginning of year	\$ 587,756	\$ 81,771	\$ 2,890,619	\$ 3,560,146	\$ 3,285,615
Excess (deficiency) of revenues over expenses	(36,723)	-	-	(36,723)	274,531
Current year funds used for tangible capital assets	(88,100)	-	88,100	-	-
Annual amortization expense	136,918	-	(136,918)	-	-
Long term debt decrease	(9,874)	-	9,874	-	-
Change in accumulated surplus	2,221	-	(38,944)	(36,723)	274,531
BALANCE , end of year	\$ 589,977	\$ 81,771	\$ 2,851,675	\$ 3,523,423	\$ 3,560,146

VILLAGE OF BARONS

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 2

		LAND	LAND IMPROVEMENTS	BUILDINGS	<u>ENGINEERED STRUCTURES</u>		WASTE	MACHINERY AND	VEHICLES	2018	2017
					<u>ROADS AND</u>	<u>WATER</u>	<u>SYSTEM</u>	<u>SYSTEM</u>	<u>EQUIPMENT</u>		
					STREETS	SYSTEM					
COST:											
BALANCE, beginning of year	\$	99,609	\$ 74,687	\$ 683,576	\$ 1,325,854	\$ 1,868,741	\$ 540,697	\$ 342,415	\$ 186,547	\$ 5,122,126	\$ 5,035,195
Acquisition of tangible capital assets		-	-	19,436	26,875	-	-	41,789	-	88,100	168,691
Disposal of tangible capital assets		-	-	-	-	-	-	-	-	-	(81,759)
BALANCE, end of year		99,609	74,687	703,012	1,352,729	1,868,741	540,697	384,204	186,547	5,210,226	5,122,127
ACCUMULATED AMORTIZATION:											
BALANCE, beginning of year		-	22,101	297,480	1,014,781	380,008	173,459	150,921	69,819	2,108,569	2,041,628
Annual amortization		-	4,740	13,205	35,976	24,781	8,019	32,418	17,780	136,919	137,566
Reverse amortization on disposals		-	-	-	-	-	-	-	-	-	(70,626)
BALANCE, end of year		-	26,841	310,685	1,050,757	404,789	181,478	183,339	87,599	2,245,488	2,108,568
NET BOOK VALUE OF											
TANGIBLE CAPITAL ASSETS	\$	99,609	\$ 47,846	\$ 392,327	\$ 301,972	\$ 1,463,952	\$ 359,219	\$ 200,865	\$ 98,948	\$ 2,964,738	\$ 3,013,558
2017 NET BOOK VALUE OF											
TANGIBLE CAPITAL ASSETS	\$	99,609	\$ 52,586	\$ 386,096	\$ 311,073	\$ 1,488,733	\$ 367,238	\$ 191,494	\$ 116,728	\$ 3,013,557	

VILLAGE OF BARONS

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 3

	BUDGET (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 276,699	\$ 234,735	\$ 218,580
Linear property taxes	-	6,722	5,590
Business taxes	-	35,248	39,636
Government grants in place of property taxes	-	1,454	1,307
	<hr/> 276,699	<hr/> 278,159	<hr/> 265,113
REQUISITIONS			
Alberta School Foundation Fund	49,059	48,484	46,412
Seniors Lodge	2,574	2,551	2,282
	<hr/> 51,633	<hr/> 51,035	<hr/> 48,694
NET MUNICIPAL TAXES	<hr/> \$ 225,066	<hr/> \$ 227,124	<hr/> \$ 216,419

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SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 4

	BUDGET (Unaudited)	2018	2017
TRANSFERS FOR OPERATING:			
Provincial Government	\$ -	\$ 70,268	\$ 40,282
Other Local Governments	-	-	2,500
	-	70,268	42,782
TRANSFERS FOR CAPITAL:			
Provincial Government	262,179	98,685	515,796
	262,179	98,685	515,796
TOTAL GOVERNMENT TRANSFERS	\$ 262,179	168,953	\$ 558,578

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SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 5

	BUDGET (Unaudited)	2018	2017
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	\$ 219,557	\$ 184,903	\$ 187,000
Contracted and general services	355,965	282,063	265,143
Materials, goods and utilities	250,150	118,633	171,184
Provision for allowances	250	-	-
Transfers to local boards and agencies	5,944	3,359	3,059
Bank charges and short-term interest	250	4,325	40
Interest on long-term debt	6,576	5,695	6,145
Purchases from other governments	800	-	-
Amortization of tangible capital assets	-	136,918	137,567
	\$ 839,492	\$ 735,896	\$ 770,138

VILLAGE OF BARONS

SCHEDULE OF SEGMENTED DISCLOSURE - REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 227,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,124
Government transfers	89,704	46,396	32,853	-	-	-	-	168,953
User fees and sales of goods	2,110	42,386	9,955	-	-	150,975	-	205,426
Investment income	6,691	-	-	-	-	-	-	6,691
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	39,042	40,440	1,495	10,000	-	-	-	90,977
	364,671	129,222	44,303	10,000	-	150,975	-	699,171
EXPENSES								
Contract and general services	85,476	60,477	337	19,202	16,909	99,662	-	282,063
Salaries and wages	117,068	-	28,556	-	12,117	27,162	-	184,903
Goods and supplies	12,030	28,211	42,121	-	1,905	34,363	-	118,630
Transfers to local boards	3,359	-	-	-	-	-	-	3,359
Long-term debt interest	5,695	-	-	-	-	-	-	5,695
Other expenses	4,325	-	-	-	-	-	-	4,325
	227,953	88,688	71,014	19,202	30,931	161,187	-	598,975
NET REVENUE BEFORE								
AMORTIZATION	136,718	40,534	(26,711)	(9,202)	(30,931)	(10,212)	-	100,196
Amortization Expense	846	25,630	62,898	-	9,366	38,179	-	136,919
NET REVENUE	\$ 135,872	\$ 14,904	\$ (89,609)	\$ (9,202)	\$ (40,297)	\$ (48,391)	\$ -	\$ (36,723)

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Barons are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the 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 village and are therefore, accountable to the village council for the administration of their financial affairs and resources. Included with the municipality are the following:

Village of Barons Fire Department

Village of Barons 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.

(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,

(c) 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.

(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.

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) 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, provided the Consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which included 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 is 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 assets if 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.

(f) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to repay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight-line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by the amount equal to the debt repayment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Pension Liability

The Village of Barons and its eligible employees participate in the Local Authorities Pension Plan, which provides pensions to the Village of Barons employees based on years of service and earnings. Employer, employee and Government of Alberta contributions and investment earnings of the LAPP Fund finance the plan.

The actuarial valuation was determined using the projected benefit method prorated on service. Assumptions used in the valuation are based on the Pension board's best estimate of future events. The plan's future experiences will inevitably differ, perhaps significantly, from the assumptions. Any differences between actuarial assumptions and future experience will emerge as gains or losses in future valuations and will be amortized over the expected average remaining service life of the employee group.

(h) 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.

(i) 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.

(j) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Capital fund debt principal and interest payments are recorded as operating fund expenditures. Proceeds from sales of land held for resale are recorded as operating fund revenue.

(k) 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.

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

2. CASH AND TEMPORARY INVESTMENTS

	<u>2018</u>	<u>2017</u>
Cash	\$ 220,183	\$ 199,086
Temporary investments	<u>501,371</u>	<u>395,945</u>
	<u>\$ 721,554</u>	<u>\$ 595,031</u>
	<u>2018</u>	<u>2017</u>
<u>Restricted cash</u>		
Restricted surplus	\$ 81,771	\$ 81,771
Deferred revenue	240,536	66,468
Deposits and other amounts	<u>19,804</u>	<u>15,778</u>
	342,111	164,017
<u>Unrestricted</u>	<u>379,443</u>	<u>431,014</u>
<u>Total</u>	<u>\$ 721,554</u>	<u>\$ 595,031</u>

Temporary investments are short-term deposits with maturities within the normal operating cycle of the village.

Investments - cash and other investments that have maturities that extend beyond the normal operating cycle of the village.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place of taxes	\$ 62,334	\$ 52,704
Arrears taxes	<u>21,412</u>	<u>19,868</u>
	83,746	72,572
Less: allowance for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 83,746</u>	<u>\$ 72,572</u>

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

4. TANGIBLE CAPITAL ASSETS

	NET BOOK VALUE	
	<u>2018</u>	<u>2017</u>
Land	\$ 99,609	\$ 99,609
Buildings	392,327	386,096
Land Improvements	47,847	52,586
Engineered Structures		
Roadway system	301,971	311,072
Storm drainage	309,639	313,851
Water distribution system	1,463,952	1,488,733
Wastewater treatment system	49,580	53,388
Machinery and equipment	200,865	191,494
Vehicles	<u>98,948</u>	<u>116,728</u>
	<u>\$ 2,964,738</u>	<u>\$ 3,013,557</u>

5. LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>	
AMFC debentures	<u>\$ 113,065</u>	<u>\$ 122,940</u>	
Current Portion	<u>\$ 10,346</u>	<u>\$ 9,874</u>	
	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 10,346	\$ 5,223	\$ 15,569
2020	10,841	4,728	15,569
2021	11,360	4,209	15,569
2022	11,903	3,666	15,569
2023	12,472	3,097	15,569
Thereafter	<u>56,143</u>	<u>6,133</u>	<u>62,276</u>
	<u>\$ 113,065</u>	<u>\$ 27,056</u>	<u>\$ 140,121</u>

Debenture debt is payable to Alberta Municipal Financing Authority and matures in 2027 with annual interest of 4.726%.

Debenture debt is issued on the credit and security of the Village of Barons at large.

Interest on long-term debt amounted to \$5,695 (2017 \$6,145)

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

6. DEFERRED REVENUE AND DEPOSIT LIABILITIES

	<u>2018</u>	<u>2017</u>
Unearned income		
MPC bond	\$ 5,823	\$ 1,802
Tax surplus	11,465	11,460
Water deposits	2,516	2,516
Deferred revenue	<u>240,536</u>	<u>66,468</u>
	<u>\$ 260,340</u>	<u>\$ 82,246</u>
Deferred revenue consists of:		
Federal Gas Tax Fund	\$ 150,000	\$ 50,000
MSI Capital	90,536	12,542
BMTG	<u>-</u>	<u>3,926</u>
	<u>\$ 240,536</u>	<u>\$ 66,468</u>

Municipal Sustainability Initiative

Funding in the amount of \$224,521 was received in the current year from the Municipal Sustainability Initiative. Of the \$224,521 received, \$177,753 is from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement which were scheduled for completion in 2018. The remaining \$51,768 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement, which were also scheduled for completion in 2018. Projects are expected to be completed in 2019.

7. 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>2018</u>			<u>2017</u>
	Salary (1)	Benefits and Allowances (2)	Total	Total
Mayor Weistra	\$ 4,530	\$ -	\$ 4,530	\$ 4,590
Deputy Mayor Gorzitiza	\$ 2,600	\$ -	\$ 2,600	\$ 2,140
Councilor Golding	\$ -	\$ -	\$ -	\$ 2,450
Councilor Tarditi	\$ 4,115	\$ -	\$ 4,115	\$ 700
Administrator	\$ 75,917	\$ 3,458	\$ 79,375	\$ 77,193

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

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

7. SALARY AND BENEFITS DISCLOSURE, continued

- (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.

8. 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 Village of Barons be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 900,728	\$ 793,310
Total debt	<u>(113,065)</u>	<u>(122,940)</u>
Amount of debt limit (exceeded) unused	<u>\$ 787,663</u>	<u>\$ 670,370</u>
Debt servicing limit	\$ 150,121	\$ 132,218
Debt servicing	<u>(15,569)</u>	<u>(15,569)</u>
Amount of debt servicing limit (exceeded) unused	<u>\$ 134,552</u>	<u>\$ 116,649</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 bear 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.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	\$ 5,210,226	\$ 5,122,127
Accumulated amortization (Schedule 2)	(2,245,488)	(2,108,568)
Long-term debt (Note 5)	<u>(113,065)</u>	<u>(122,940)</u>
	<u>\$ 2,851,673</u>	<u>\$ 2,890,619</u>

The accompanying notes form an integral part of these financial statements

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

10. ACCUMULATED SURPLUS

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ 589,977	\$ 587,756
Restricted surplus (Schedule 1)	81,771	81,771
Equity in tangible capital assets	<u>2,851,675</u>	<u>2,890,619</u>
	<u>\$ 3,523,423</u>	<u>\$ 3,560,146</u>

11. LOCAL AUTHORITIES PENSION PLAN

Employees of the Village participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Village is required to make current service contributions to the LAPP of 5.525% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% on pensionable earnings above this amount. Employees of the Village are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.47% on pensionable salary above this amount.

Total current service contributions by the Village to the LAPP in 2018 were \$13,464 (2017 - \$17,976). Total current service contributions by the employees of the Village to the LAPP in 2018 were \$12,302 (2017 - \$16,497).

12. CONTINGENCIES

The Village of Barons is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Village of Barons 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.

13. FINANCIAL INSTRUMENTS

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

The Village 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimize the credit risk.

Unless otherwise noted, the reported value of these financial instruments approximate their fair

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

value.

14. SEGMENTED DISCLOSURE

The Village of Barons 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.

15. ROUNDING IN THE FINANCIAL STATEMENTS

Certain of the balances in the consolidated financial statements may vary due to formula rounding.

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

VILLAGE OF BARONS

MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report as of December 31, 2018 are the responsibility of the management of the Village of Barons.

Management has prepared these consolidated financial statements. Financial statements are not precise since they include certain amounts based on estimated and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Village maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Village's assets are properly accounted for and adequately safeguarded.

The elected Council of the Village of Barons is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets regularly with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Council also approves the engagement or re-appointment of the external auditors. The Council reviews the financial reports.

The consolidated financial statements have been audited by Scase & Partners Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Village. Scase & Partners Professional Accountants has full and free access to Council.

Mayor

Date