

VILLAGE OF BARONS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019

VILLAGE OF BARONS

DECEMBER 31, 2019

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SCASE & PARTNER

CHARTERED PROFESSIONAL ACCOUNTANTS

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, 2019 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, 2019, 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

March 16, 2020
Calgary, Alberta

Scase & Partner

Professional Accountants

VILLAGE OF BARONS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and investments (Note 2)	\$ 553,824	\$ 721,554
Receivables:		
Taxes and grants in lieu receivable (Note 3)	76,253	83,746
Trade and other receivables	98,789	78,563
Due from other governments	249,381	10,222
Land held for resale	728	16,345
	<u>978,975</u>	<u>910,430</u>
LIABILITIES		
Accounts payable and accrued liabilities	3	647
Deposit liabilities (Note 6)	19,804	19,804
Deferred revenue (Note 6)	391,348	240,536
Long term debt (Note 5)	102,719	113,065
	<u>513,874</u>	<u>374,052</u>
NET FINANCIAL ASSETS (DEBT)	<u>465,101</u>	<u>536,378</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	2,919,152	2,964,738
Prepaid expenses	25,344	22,306
	<u>2,944,496</u>	<u>2,987,044</u>
ACCUMULATED SURPLUS (Schedule 1), (Note 10)	<u>\$ 3,409,597</u>	<u>\$ 3,523,422</u>

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, 2019

	BUDGET	2019	2018
	(Unaudited)		
REVENUE			
Net municipal taxes (Schedule 3)	\$ 213,915	\$ 214,940	\$ 227,124
User fees and sales	170,800	190,650	205,425
Penalties and costs of taxes	15,000	11,898	13,854
Government transfers (Schedule 4)		48,251	70,268
Fines	5,000	3,932	1,495
Franchise and concession contracts	25,500	22,787	18,293
Investment income	4,000	10,041	6,691
Licences and permits	900	450	895
Other	149,440	47,641	56,440
	584,555	550,590	600,485
EXPENSES			
Legislative	16,950	12,287	16,347
Administration	239,433	265,604	204,214
Fire	117,653	80,655	90,843
Bylaws enforcement	16,700	9,728	23,475
Common service	53,543	58,050	58,608
Roads, streets, walks, lighting	73,781	79,802	75,303
Water supply and distribution		115,914	118,117
Wastewater treatment and disposal	61,277	42,346	42,706
Waste management	53,312	53,484	44,238
Family and community support	2,595	2,595	2,544
Subdivision land development	4,414	3,912	19,202
Parks and recreation	43,309	35,727	40,296
	682,967	760,104	735,893
(SHORTFALL) OF REVENUE OVER EXPENSES			
BEFORE OTHER	(98,412)	(209,514)	(135,408)
Government transfers for capital (Schedule 4)	250,000	95,689	98,685
(SHORTFALL) EXCESS OF REVENUE OVER EXPENSES			
	\$ <u>151,588</u>	(113,825)	(36,723)
ACCUMULATED SURPLUS, beginning of year		3,523,422	3,560,145
ACCUMULATED SURPLUS, end of year		\$ 3,409,597	\$ 3,523,422

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, 2019

	BUDGET (Unaudited)	2019	2018
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 151,588	\$ (113,825)	\$ (36,723)
Acquisition of tangible capital assets	(129,400)	(86,413)	(88,100)
Amortization adjustment	-	(432)	-
Amortization of tangible capital assets	132,431	132,432	136,918
	3,031	45,587	48,818
Acquisition of prepaid assets	-	(25,344)	(22,306)
Use of prepaid assets	-	22,305	20,723
		(3,039)	(1,583)
DECREASE (INCREASE) IN NET DEBT	<u>\$ 154,619</u>	(71,277)	10,512
NET FINANCIAL ASSETS, beginning of year		536,378	525,866
NET FINANCIAL ASSETS, end of year		\$ 465,101	\$ 536,378

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, 2019

	2019	2018
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	\$ (113,825)	\$ (36,723)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	132,432	136,918
(Gain) loss on disposal of tangible capital assets	-	-
Amortization adjustment	(432)	-
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(239,159)	1,114
Decrease (increase) in due from government receivables	(20,226)	(42,318)
Decrease (increase) in trade other receivables	7,493	(11,174)
Decrease (increase) in land for resale	15,617	-
Decrease (increase) in prepaid expenses	(3,038)	(1,584)
Increase (decrease) in accounts payable and accrued liabilities	(644)	169
Increase (decrease) in deposit liabilities	-	4,027
Increase (decrease) in deferred revenue	150,811	174,068
CASH PROVIDED BY OPERATING TRANSACTIONS	(70,971)	224,497
CAPITAL		
Acquisition of tangible capital assets	(86,413)	(88,100)
CASH APPLIED TO CAPITAL TRANSACTIONS	(86,413)	(88,100)
FINANCING		
Long-term debt repaid	(10,346)	(9,874)
CASH APPLIED TO FINANCING TRANSACTIONS	(10,346)	(9,874)
CHANGE IN CASH AND CASH EQUIVALENTS	(167,730)	126,523
CASH AND CASH EQUIVALENTS, beginning of year	721,554	595,031
CASH AND CASH EQUIVALENTS, end of year	\$ 553,824	\$ 721,554
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	\$ 553,824	\$ 721,554
INTEREST PAID ON LONG-TERM DEBT	\$ 5,223	\$ 5,695

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, 2019

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE , beginning of year	\$ 589,977	\$ 81,771	\$ 2,851,675	\$ 3,523,423	\$ 3,560,146
Excess (deficiency) of revenues over expenses	(113,825)	-	-	(113,825)	(36,723)
Current year funds used for tangible capital assets	(86,413)	-	86,413	-	-
Annual amortization expense	132,432	-	(132,432)	-	-
Amortization adjustment	(432)	-	432	-	-
Long term debt decrease	(10,346)	-	10,346	-	-
Change in accumulated surplus	(78,584)	-	(35,241)	(113,825)	(36,723)
BALANCE , end of year	\$ 511,393	\$ 81,771	\$ 2,816,434	\$ 3,409,598	\$ 3,523,423

VILLAGE OF BARONS

SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 2

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES ROADS AND STREETS	WATER SYSTEM	WASTE SYSTEM	MACHINERY AND EQUIPMENT	VEHICLES	2019	2018
COST:										
BALANCE, beginning of year	\$ 99,609	\$ 74,687	\$ 703,012	\$ 1,352,729	\$ 1,868,741	\$ 540,697	\$ 384,204	\$ 186,547	\$ 5,210,226	\$ 5,122,126
Acquisition of tangible capital assets	-	-	-	49,383	9,652	-	27,378	-	86,413	88,100
BALANCE, end of year	99,609	74,687	703,012	1,402,112	1,878,393	540,697	411,582	186,547	5,296,639	5,210,226
ACCUMULATED AMORTIZATION:										
BALANCE, beginning of year	-	26,841	310,685	1,050,757	404,789	181,478	183,339	87,599	2,245,488	2,108,569
Annual amortization	-	4,380	13,593	29,859	24,781	8,020	34,019	17,780	132,432	136,919
Adjustment amortization	-	-	-	(432)	-	-	-	-	(432)	-
Reverse amortization on disposals	-	-	-	-	-	-	-	-	-	-
BALANCE, end of year	-	31,221	324,278	1,080,184	429,570	189,498	217,358	105,379	2,377,488	2,245,488
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 99,609	\$ 43,466	\$ 378,734	\$ 321,928	\$ 1,448,823	\$ 351,199	\$ 194,224	\$ 81,168	\$ 2,919,151	\$ 2,964,738
2018 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	

VILLAGE OF BARONS

SCHEDULE OF PROPERTY AND OTHER TAXES FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 3

	BUDGET (Unaudited)	2019	2018
TAXATION			
Real property taxes	\$ 267,061	\$ 218,538	\$ 234,735
Linear property taxes	-	7,145	6,722
Business taxes	-	39,085	35,248
Government grants in place of property taxes	-	1,688	1,454
	267,061	266,456	278,159
REQUISITIONS			
Alberta School Foundation Fund	50,568	48,905	48,484
Seniors Lodge	2,578	2,578	2,551
Designated Industrial Property Tax	-	33	-
	53,146	51,516	51,035
NET MUNICIPAL TAXES	\$ 213,915	\$ 214,940	\$ 227,124

VILLAGE OF BARONS

SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 4

	BUDGET (Unaudited)	2019	2018
TRANSFERS FOR OPERATING:			
Provincial Government	\$ -	\$ 48,251	\$ 70,268
	-	48,251	70,268
TRANSFERS FOR CAPITAL:			
Provincial Government	250,000	95,689	98,685
	250,000	95,689	98,685
TOTAL GOVERNMENT TRANSFERS	\$ 250,000	143,940	\$ 168,953

VILLAGE OF BARONS

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 5

	BUDGET (Unaudited)	2019	2018
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	\$ 190,986	\$ 197,217	\$ 184,903
Contracted and general services	309,635	244,362	282,063
Materials, goods and utilities	170,700	151,455	118,633
Transfers to local boards and agencies	3,413	3,413	3,359
Bank charges and short-term interest	450	1,222	4,325
Interest on long-term debt	6,576	5,223	5,695
Other expenses	5,850	24,780	
Amortization of tangible capital assets	132,431	132,432	136,918
	\$ 820,041	\$ 760,104	\$ 735,896

VILLAGE OF BARONS

SCHEDULE OF SEGMENTED DISCLOSURE - REVENUES AND EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	\$ 214,940	\$	\$	\$	\$	\$	\$	\$ 214,940
Government transfers	20,343	28,118	67,571	3,912	3,413	20,582		143,939
User fees and sales of goods	2,208	1,250	6,052			157,823		167,333
Investment income	10,041							10,041
Contributed assets								
Other revenues	46,118	63,758		150				110,026
	293,650	93,126	73,623	4,062	3,413	178,405		646,279
EXPENSES								
Contract and general services	87,539	35,148		3,912	15,756	102,007		244,362
Salaries and wages	141,625		23,999		8,650	22,943		197,217
Goods and supplies	24,560	27,132	57,945		3,161	38,659		151,457
Transfers to local boards	3,413							3,413
Long-term debt interest	5,223							5,223
Other expenses	26,000							26,000
	288,360	62,280	81,944	3,912	27,567	163,609		627,672
NET REVENUE BEFORE								
AMORTIZATION	5,290	30,846	(8,321)	150	(24,154)	14,796		18,607
Amortization Expense	2,080	28,103	55,909		8,161	38,179		132,432
NET REVENUE	\$ 3,210	\$ 2,743	\$ (64,230)	\$ 150	\$ (32,315)	\$ (23,383)	\$	\$ (113,825)

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

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.

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

2. CASH AND TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u>
Cash	\$ 42,565	\$ 220,183
Temporary investments	<u>511,259</u>	<u>501,371</u>
	<u>\$ 553,824</u>	<u>\$ 721,554</u>
	<u>2019</u>	<u>2018</u>
<u>Restricted cash</u>		
Restricted surplus	\$ 81,771	\$ 81,771
Deferred revenue	149,935	240,536
Deposits and other amounts	<u>19,804</u>	<u>19,804</u>
	251,510	342,111
<u>Unrestricted</u>	<u>302,314</u>	<u>379,443</u>
<u>Total</u>	<u>\$ 553,824</u>	<u>\$ 721,554</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>2019</u>	<u>2018</u>
Current taxes and grants in place of taxes	\$ 51,141	\$ 62,334
Arrears taxes	<u>25,112</u>	<u>21,412</u>
	76,253	83,746
Less: allowance for doubtful accounts	<u> </u>	<u> </u>
	<u>\$ 76,253</u>	<u>\$ 83,746</u>

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

4. TANGIBLE CAPITAL ASSETS

NET BOOK VALUE	<u>2019</u>	<u>2018</u>
Land	\$ 99,609	\$ 99,609
Buildings	378,734	392,327
Land Improvements	43,466	47,847
Engineered Structures		
Roadway system	321,928	301,971
Storm drainage	305,426	309,639
Water distribution system	1,448,824	1,463,952
Wastewater treatment system	45,773	49,580
Machinery and equipment	194,224	200,865
Vehicles	<u>81,168</u>	<u>98,948</u>
	<u>\$ 2,919,152</u>	<u>\$ 2,964,738</u>

5. LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>	
AMFC debentures	<u>\$ 102,719</u>	<u>\$ 113,065</u>	
Current Portion	<u>\$ 10,346</u>	<u>\$ 9,874</u>	
	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
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
2024	13,068	2,501	15,569
Thereafter	<u>43,075</u>	<u>3,632</u>	<u>46,707</u>
	<u>\$ 102,719</u>	<u>\$ 21,833</u>	<u>\$ 124,552</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 2019 \$5,223 (2018 \$5,695)

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

6. DEFERRED REVENUE AND DEPOSIT LIABILITIES

	<u>2019</u>	<u>2018</u>
Unearned income		
MPC bond	\$ 5,823	\$ 5,823
Tax surplus	11,465	11,465
Water deposits	2,516	2,516
Deferred revenue	<u>391,348</u>	<u>240,536</u>
	<u>\$ 411,152</u>	<u>\$ 260,340</u>
Deferred revenue consists of:		
Federal Gas Tax Fund	\$ 201,694	\$ 150,000
MSI Capital	181,989	90,536
BMTG	6,282	
MSI Operating	<u>1,383</u>	<u> </u>
	<u>\$ 391,348</u>	<u>\$ 240,536</u>

Municipal Sustainability Initiative

Funding in the amount of \$191,046 was received in the current year from the Municipal Sustainability Initiative. Of the \$191,046 received, \$139,057 and \$2,356 are from the capital component of the program and restricted to eligible capital projects, as approved under the funding agreement which were scheduled for completion in 2019. The remaining \$49,633 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 2019. Projects are expected to be completed in 2020.

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>2019</u>			<u>2018</u>
	Salary (1)	Benefits and Allowances (2)	Total	Total
Mayor Weistra	\$ 4,345	\$	\$ 4,345	\$ 4,530
Deputy Mayor Gorzitiza	\$ 2,040	\$	\$ 2,040	\$ 2,600
Councilor Tarditi	\$ 2,130	\$	\$ 2,130	\$ 4,115
Administrator	\$ 78,042	\$ 4,129	\$ 82,171	\$ 79,375

(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, 2019

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>2019</u>	<u>2018</u>
Total debt limit	\$ 825,885	\$ 900,728
Total debt	<u>(102,719)</u>	<u>(113,065)</u>
Amount of debt limit (exceeded) unused	<u>\$ 723,166</u>	<u>\$ 787,663</u>
Debt servicing limit	\$ 137,648	\$ 150,121
Debt servicing	<u>(15,569)</u>	<u>(15,569)</u>
Amount of debt servicing limit (exceeded) unused	<u>\$ 122,079</u>	<u>\$ 134,552</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.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	\$ 5,296,639	\$ 5,210,226
Accumulated amortization (Schedule 2)	(2,377,488)	(2,245,488)
Long-term debt (Note 5)	<u>(102,719)</u>	<u>(113,065)</u>
	<u>\$ 2,816,432</u>	<u>\$ 2,851,673</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, 2019

10. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 511,392	\$ 589,976
Restricted surplus (Schedule 1)	81,771	81,771
Equity in tangible capital assets	<u>2,816,434</u>	<u>2,851,675</u>
	<u>\$ 3,409,597</u>	<u>\$ 3,523,422</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 2019 were \$13,036 (2018 - \$13,464). Total current service contributions by the employees of the Village to the LAPP in 2019 were \$11,745 (2018 - \$12,302).

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 value.

VILLAGE OF BARONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019 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