

Village of Caroline
Consolidated Financial Statements
For the year ended December 31, 2018

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Consolidated Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Mayor and Council of the Village of Caroline

Opinion

We have audited the consolidated financial statements of the Village of Caroline and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and its consolidated financial performance and its cash flows for the year then ended in accordance with 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 19 of the financial statements, which explains certain comparative information presented for the year ended December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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.

Independent Auditor's Report - continued

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants,
Red Deer, Alberta
April 9, 2019

Village of Caroline
Consolidated Statement of Financial Position

December 31	2018	2017 (Restated)
Financial assets		
Cash and cash equivalents (Note 1)	\$ 1,600,646	\$ 1,284,962
Taxes receivable (Note 2)	198,204	203,096
Accounts receivable (Note 3)	70,866	135,507
	1,869,716	1,623,565
Liabilities		
Accounts payable and accrued liabilities	104,380	120,421
Deferred revenue (Note 4)	851,139	539,827
Long-term debt (Note 5)	306,832	344,617
	1,262,351	1,004,865
Net financial assets	607,365	618,700
Non-financial assets		
Tangible capital assets (Note 6)	8,177,260	8,629,517
Prepaid expenses	5,234	5,451
	8,182,494	8,634,968
Accumulated Surplus (Note 8)	\$ 8,789,859	\$ 9,253,668
Debt limits (Note 14)		
Contingencies (Note 15)		
Commitments (Note 16)		

Village of Caroline
Consolidated Statement of Operations

For the year ended December 31	Budget 2018	2018	2017 (Restated)
Revenue			
Net municipal taxes (Note 10)	\$ 485,268	\$ 494,019	\$ 475,558
Government transfers for operating (Note 11)	152,101	144,369	182,260
Sales and user fees	337,258	292,338	339,954
Franchises and concessions	65,000	64,502	69,752
Investment income	3,000	12,721	10,893
Penalties and costs on taxes	12,000	24,704	15,247
Licences and permits	6,350	52,144	7,937
Gain (loss) on disposal of assets	-	3,032	-
	1,060,977	1,087,829	1,101,601
Expenditures (Note 12)			
Legislative	59,950	60,003	61,840
Administration	306,603	313,898	291,286
Protective services	75,600	57,641	114,195
Transportation services	603,906	596,288	496,823
Water and wastewater	270,341	282,479	318,364
Waste management	84,000	75,709	64,304
Planning and development	12,500	7,259	12,081
Recreation and parks	183,419	166,317	212,366
Public health and welfare	16,291	20,044	9,268
	1,612,610	1,579,638	1,580,527
Excess (deficiency) of revenue over expenditures - before other	(551,633)	(491,809)	(478,926)
Other			
Government transfers for capital (Note 11)	283,918	28,000	265,698
Excess (deficiency) of revenue over expenditures	(267,715)	(463,809)	(213,228)
Accumulated surplus, beginning of the year	9,253,668	9,253,668	10,005,471
Prior period adjustment (Note 19)	-	-	(538,575)
Accumulated surplus, beginning of year as restated	9,253,668	9,253,668	9,466,896
Accumulated surplus, end of year	\$ 8,985,953	\$ 8,789,859	\$ 9,253,668

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

Village of Caroline
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2018	2018	2017 (Restated)
Excess (deficiency) of revenue over expenditures	\$ (267,715)	\$ (463,809)	\$ (213,228)
Acquisition of tangible capital assets	-	(157,191)	(338,711)
Amortization of tangible capital assets	567,050	567,050	564,631
Net (gain) loss on sale of tangible capital assets	-	(3,032)	-
Proceeds on sale of tangible capital assets	-	45,430	-
	299,335	(11,552)	12,692
Change in prepaid expenses	-	217	(162)
Net change in net financial assets	299,335	(11,335)	12,530
Net financial assets, beginning of year	618,700	618,700	606,170
Net financial assets, end of year	\$ 918,035	\$ 607,365	\$ 618,700

Village of Caroline
Consolidated Statement of Cash Flows

For the year ended December 31	2018	2017 (Restated)
Operating transactions		
Excess of revenue over expenditures	\$ (463,809)	\$ (213,228)
Items not involving cash		
Amortization	567,050	564,631
Net loss (gain) on disposal of tangible capital assets	(3,032)	-
Changes in non-cash operating balances		
Taxes receivable	4,892	9,383
Accounts receivable	64,641	254,884
Prepaid expenses	217	(162)
Accounts payable and accrued liabilities	(16,041)	86,951
Deferred revenue	311,312	(49,140)
	465,230	653,319
Capital transactions		
Acquisition of tangible capital assets	(157,191)	(338,711)
Proceeds on sale of tangible capital assets	45,430	-
	(111,761)	(338,711)
Investing transactions		
Restricted cash balances	(312,512)	(488,186)
Financing transactions		
Repayment of long-term debt	(37,785)	(37,092)
Net change in cash and cash equivalents	3,172	(210,670)
Cash and cash equivalents, beginning of year	746,386	957,056
Cash and cash equivalents, end of year	\$ 749,558	\$ 746,386
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 1,600,646	\$ 1,284,962
Less: restricted (Note 1)	(851,088)	(538,576)
	\$ 749,558	\$ 746,386

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2018

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

The consolidated financial statements of the Village are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants Canada.

Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and change in fund balances and in financial position of the reporting entity. The entity is comprised of the municipal operations plus all 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 Caroline Public Library

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

Interdepartmental and organizational transactions and balances are eliminated.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

**Tangible Capital
Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	15 to 25 years
Buildings	50 years
Engineered Structures	15 to 75 years
Machinery, equipment and furnishings	5 to 40 years
Vehicles	10 years

Village of Caroline Summary of Significant Accounting Policies

December 31, 2018

Excess Collections and Under-levies

Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

Collection of Taxes on Behalf of Other Taxation Authorities

The Village collects taxation revenue on behalf of other entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of entities are not reflected in these financial statements.

The entities the Village collects taxation revenue on behalf of are:
Alberta School Foundation Fund
Red Deer Catholic School Fund
Seniors Requisition Fund

Liability for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

Government Transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Revenue Recognition

Taxes are recognized as revenue in the year they are levied. Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2018

recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized on an accrual basis.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

1. Cash and Cash Equivalents

	2018	2017
Current chequing and savings accounts	\$ 1,600,646	\$ 1,081,833
Redeemable guaranteed investment certificate	-	203,129
	\$ 1,600,646	\$ 1,284,962

The Village has a demand revolving loan facility to a maximum of \$100,000, bearing interest at prime (effective rate of 3.95%). Security for the loan is on the property taxes of the Village. As at December 31, 2018 \$nil (2017 - \$nil) was drawn upon this credit facility.

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects.

	2018	2017 (Restated)
Federal Gas Tax grant	93,814	21,814
MSI Capital	757,274	516,762
	\$ 851,088	\$ 538,576

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

2. Taxes Receivable

	2018		2017
Current taxes and grants in place	\$ 54,089	\$	62,283
Non-current taxes and grants in place	<u>167,078</u>		<u>163,776</u>
	221,167		226,059
Less: Allowance for doubtful accounts	<u>22,963</u>		<u>22,963</u>
	<u>\$ 198,204</u>	\$	<u>203,096</u>

3. Accounts Receivable

	2018		2017
Trade receivables	\$ 60,604	\$	98,924
GST receivable	<u>10,262</u>		<u>36,583</u>
	70,866		135,507
	<u>\$ 70,866</u>	\$	<u>135,507</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

4. Deferred Revenue

	Opening balance (Restated Note 19)	Contributions received	Revenue recognized	Ending balance
Municipal Sustainability Initiative - Operating	\$ -	68,577	(68,577)	\$ -
Municipal Sustainability Initiative - Capital	516,763	240,512	-	757,275
Federal Gas Tax Grant	21,814	100,000	(28,000)	93,814
County Revenue Sharing	-	23,691	(23,691)	-
Other	1,250	-	(1,200)	50
Library	-	52,101	(52,101)	-
	<u>\$ 539,827</u>	<u>484,881</u>	<u>(173,569)</u>	<u>\$ 851,139</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Village is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

An adjustment has been made to the opening balance of the opening balance of deferred revenue in Municipal Sustainability Initiative - Capital to reconcile the balance reported on the Statement of Funding and Expenditures.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

5. Long-Term Debt

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

	2018	2017
Alberta Capital Finance Authority Debenture, bearing interest at 1.86% per year, due 2026.	306,832	344,617

Principal and interest payments relating to net long term debt of \$306,832 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2019	\$ 38,492	\$ 5,529	\$ 44,021
2020	39,211	4,810	44,021
2021	39,944	4,077	44,021
2022	40,690	3,331	44,021
2023	41,451	2,570	44,021
Thereafter	107,044	3,004	110,048
	\$ 306,832	\$ 23,321	\$ 330,153

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

6. Tangible Capital Assets

	2018						
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Total
Cost, beginning of year	\$ 177,902	\$ 441,598	\$ 3,193,208	\$ 11,994,329	\$ 297,604	\$ 152,134	\$ 16,256,775
Additions	-	-	37,380	64,363	55,448	-	157,191
Disposals	-	-	-	-	(43,117)	-	(43,117)
Cost, end of year	\$ 177,902	\$ 441,598	\$ 3,230,588	\$ 12,058,692	\$ 309,935	\$ 152,134	\$ 16,370,849
Accumulated amortization, beginning of year	\$ -	\$ 274,589	\$ 1,168,277	\$ 5,926,706	\$ 148,635	\$ 109,051	\$ 7,627,258
Amortization	-	17,751	61,112	467,002	13,925	7,260	567,050
Disposals	-	-	-	-	(719)	-	(719)
Accumulated amortization, end of year	\$ -	\$ 292,340	\$ 1,229,389	\$ 6,393,708	\$ 161,841	\$ 116,311	\$ 8,193,589
Net carrying amount, end of year	\$ 177,902	\$ 149,258	\$ 2,001,199	\$ 5,664,984	\$ 148,094	\$ 35,823	\$ 8,177,260

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

6. Tangible Capital Assets (continued)

							2017
	Land Improvements	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Total
Cost, beginning of year	\$ 177,902	\$ 441,598	\$ 3,154,571	\$ 11,719,405	\$ 297,604	\$ 126,984	\$ 15,918,064
Additions		-	38,637	274,924	-	25,150	338,711
Cost, end of year	<u>\$ 177,902</u>	<u>\$ 441,598</u>	<u>\$ 3,193,208</u>	<u>\$ 11,994,329</u>	<u>\$ 297,604</u>	<u>\$ 152,134</u>	<u>\$ 16,256,775</u>
Accumulated amortization, beginning of year	\$ -	\$ 254,252	\$ 1,106,341	\$ 5,462,605	\$ 134,546	\$ 104,883	\$ 7,062,627
Amortization		20,337	61,936	464,101	14,089	4,168	564,631
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 274,589</u>	<u>\$ 1,168,277</u>	<u>\$ 5,926,706</u>	<u>\$ 148,635</u>	<u>\$ 109,051</u>	<u>\$ 7,627,258</u>
Net carrying amount, end of year	<u>\$ 177,902</u>	<u>\$ 167,009</u>	<u>\$ 2,024,931</u>	<u>\$ 6,067,623</u>	<u>\$ 148,969</u>	<u>\$ 43,083</u>	<u>\$ 8,629,517</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

7. Equity in Tangible Capital Assets

	2018	2017
Tangible capital assets	\$ 16,370,849	\$ 16,256,775
Accumulated amortization	(8,193,589)	(7,627,258)
Debenture debt	(306,832)	(344,617)
	\$ 7,870,428	\$ 8,284,900

8. Accumulated Surplus

	2018	2017 (Restated Note 19)
Equity in tangible capital assets	\$ 7,870,428	\$ 8,284,900
Unrestricted surplus	561,177	610,514
	8,431,605	8,895,414
Restricted surplus		
Administration	321,254	321,254
Equipment and Maintenance reserve	37,000	37,000
	358,254	358,254
	\$ 8,789,859	\$ 9,253,668

The equity in tangible capital assets represents amounts already spent and invested in infrastructure. Restricted surplus represents funds set aside by bylaw or council resolution for specific purposes.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

9. Change in Accumulated Surplus

	Unrestricted surplus	Restricted surplus	Equity in tangible capital assets	2018	2017
Balance, beginning of year (Note 19)	\$ 1,149,089	\$ 358,254	\$ 8,284,900	\$ 9,792,243	\$ 10,005,471
Prior period adjustment	\$ (538,575)	\$ -	\$ -	\$ (538,575)	\$ (538,575)
Balance, beginning of year as restated	\$ 610,514	\$ 358,254	\$ 8,284,900	\$ 9,253,668	\$ 9,466,896
Excess of revenue over expenses	(463,809)	-	-	(463,809)	(213,228)
Debtenture principal payments	(37,785)	-	37,785	-	-
Acquisition of capital	(157,191)	-	157,191	-	-
Disposals and write-down of assets	44,706	-	(44,706)	-	-
Amortization	567,050	-	(567,050)	-	-
Gain on disposal of assets	(2,308)	-	2,308	-	-
Change in accumulated surplus	\$ (49,337)	\$ -	\$ (414,472)	\$ (463,809)	\$ (213,228)
Balance, end of year	\$ 561,177	\$ 358,254	\$ 7,870,428	\$ 8,789,859	\$ 9,253,668

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

10. Taxation - Net

	Budget 2018	2018	2017
Real property	\$ 581,862	\$ 601,971	\$ 570,960
Government grants in place of property taxes	2,606	1,231	3,644
	<u>584,468</u>	<u>603,202</u>	<u>574,604</u>
Requisitions			
Alberta School Foundation Fund	92,000	98,376	90,963
Red Deer Catholic School	3,600	3,959	4,541
Seniors Requisition	3,600	6,848	3,542
	<u>99,200</u>	<u>109,183</u>	<u>99,046</u>
Available for general municipal purposes	<u>\$ 485,268</u>	<u>\$ 494,019</u>	<u>\$ 475,558</u>

11. Government Transfers

	Budget 2018	2018	2017
Operating			
Provincial government	152,101	144,369	182,260
Capital			
Provincial government	\$ 283,918	\$ 28,000	\$ 265,698
Total government transfers	<u>\$ 436,019</u>	<u>\$ 172,369</u>	<u>\$ 447,958</u>

12. Expenses by Object

	Budget 2018	2018	2017
Salaries and wages	\$ 440,548	\$ 459,720	\$ 353,301
Contracted and general services	315,167	305,511	355,748
Materials, goods and utilities	185,015	155,844	136,723
Transfer to local agencies	104,830	91,515	135,311
Amortization	567,050	567,050	564,631
Other expenditures	-	-	34,813
	<u>\$ 1,612,610</u>	<u>\$ 1,579,640</u>	<u>\$ 1,580,527</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

13. Salary and Benefits Disclosure

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

	<u>Salary</u>	<u>Benefits & Allowances</u>	<u>Total 2018</u>	<u>Total 2017</u>
Councilor Peters	-	-	-	5,410
Councilor Parsons	5,100	-	5,100	2,701
Councilor Ceasor	1,900	-	1,900	550
Councilor Bugbee	6,000	-	6,000	4,625
Councilor Sumyk	3,800	-	3,800	2,450
Councilor Rimmer	10,630	-	10,630	4,400
Chief Administrative Officer Beebe	82,071	3,374	85,445	76,535

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

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including health care, dental coverage, group life insurance, and vision coverage.

14. Debt Limits

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

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 1,631,743	\$ 1,652,400
Total debt	306,832	344,617
Total debt limit available	1,324,911	1,307,783
Debt servicing limit	271,957	275,400
Debt servicing	44,020	44,020
Total debt servicing limit available	227,937	231,380

The debt limit is calculated at 1.5 times revenue of the Village (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

15. Contingencies

The Village is a member of the Rocky Mountain House Solid Waste Authority (Authority). Under the agreement for the Authority, the Village, Clearwater County and the Town of Rocky Mountain House established the Authority to manage and operate a solid waste system. The Authority is governed by its own board of directors with representatives from the member municipalities. The Village could become liable for its proportionate share of any claim of losses in excess of the funds held by the Authority. As at December 31, 2018, the Authority held funds in excess of its liabilities.

16. Commitments

The Village has entered into an agreement with Community Historical Society of Caroline to provide waste removal to the Society on a weekly basis throughout the operating season, distribute the MRTA grant to the Society, provide insurance and renew the lease with the province. The Society keeps the profits from operations.

The Village has entered into a revenue sharing agreement with the County to receive \$50,000 from the County annually and in return, shall act within the "Stronger Together Agreement" and provide access to Village-owned facilities / services to residents of the County. The agreement terminates Dec 31, 2019.

The Village has entered into an agreement for assessment services with an independent contractor for a 10 year term commencing April 1, 2018. The cost of these services annually \$8,950 for 2018, \$9,000 for 2019-2021, \$9,100 for 2021-2023, \$9,200 for 2023-2025, remaining years up for negotiation closer to date of service.

The Village has entered into an agreement with Clearwater County where the Village has leased to the County certain land and premises, known as the Caroline Community Complex and any additions thereto. The County is responsible for the operation and maintenance of the land and premises. The agreement is for a 10 year term commencing on December 31, 2013.

The Village has entered into a Waste Collection agreement with the Rocky Mountain Regional Solid Waste Authority to provide various waste removal services. The contract goes from Oct 13, 2015 to October 13, 2018 with optional rates for 2019 and 2020 are \$2.36/240L cart, \$2.75/4 cube bin, and \$3.18/6 cube bin. The agreement has been renewed for the 2019 year.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

17. Budget

The budget adopted by Council on January 23, 2018 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council on January 23, 2018, with adjustments as follows:

	<u>2018</u>
Budgeted surplus for the year	\$ 219,569
Add:	
Budgeted transfers to reserves	34,974
Debenture principal payments	44,020
Less:	
Amortization not budgeted	(567,050)
Net consolidated library board deficit	<u>772</u>
Budgeted surplus (deficit) per statement of operations	<u>\$ (267,715)</u>

December 31, 2018

18. Segmented Information

The Village is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Protective Services

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

Transportation Services

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

Water and Wastewater Services

Water and wastewater provides drinking water to the Village's citizens and collects and treats wastewater. The Village processes and cleans sewage and ensures the water system meets all Provincial standards.

Waste Management Services

Waste management provides collection disposal and recycling programs.

Planning and Development

The planning department provides a number of services including village planning and enforcement of building and construction codes and review of all property development plans through its application process.

Recreation and Parks

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

Public Health and Welfare

This service area provides and administers community support programs.

General Government

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Village itself and cannot be directly attributed to a specific segment.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

18. Segmented Information continued

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

18. Segmented Information (continued)

For the year ended December 31, 2018	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2018 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	494,018	\$ 494,018
Government transfers for operating	-	-	-	-	-	52,101	-	120,268	172,369
Sales and user fees	4,032	-	196,388	56,316	-	15,158	18,312	2,133	292,339
Franchises and concessions	-	-	-	-	-	-	-	64,502	64,502
Investment income	-	-	-	-	-	-	-	12,721	12,721
Penalties and costs on taxes	-	-	-	-	-	-	-	24,704	24,704
Licences and permits	52,144	-	-	-	-	-	-	-	52,144
Other	-	-	-	-	-	-	-	3,032	3,032
	<u>56,176</u>	<u>-</u>	<u>196,388</u>	<u>56,316</u>	<u>-</u>	<u>67,259</u>	<u>18,312</u>	<u>721,378</u>	<u>1,115,829</u>
Expenses									
Salaries and wages	-	109,366	45,136	6,201	-	71,789	8,923	218,305	459,720
Contracted and general services	19,343	31,112	82,526	26,074	7,259	12,789	3,160	123,246	305,509
Materials, goods and utilities	2,932	57,588	48,461	4,745	-	26,444	28	15,646	155,844
Transfer to local agencies	35,367	-	-	42,657	-	5,555	7,936	-	91,515
Amortization	-	398,217	102,391	-	-	49,499	-	16,943	567,050
	<u>57,642</u>	<u>596,283</u>	<u>278,514</u>	<u>79,677</u>	<u>7,259</u>	<u>166,076</u>	<u>20,047</u>	<u>374,140</u>	<u>1,579,638</u>
Net surplus (deficit)	<u>\$ (1,466)</u>	<u>\$ (596,283)</u>	<u>\$ (82,126)</u>	<u>\$ (23,361)</u>	<u>\$ (7,259)</u>	<u>\$ (98,817)</u>	<u>\$ (1,735)</u>	<u>\$ 347,238</u>	<u>\$ (463,809)</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2018

18. Segmented Information (continued)

For the year ended December 31, 2017	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2017 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	475,556	\$ 475,556
Government transfers for operating	-	-	-	-	-	51,101	-	131,159	182,260
Government transfers for capital	-	265,698	-	-	-	-	-	-	265,698
Sales and user fees	9,049	-	210,096	56,202	-	23,848	32,613	8,146	339,954
Franchises and concessions	-	-	-	-	-	-	-	69,752	69,752
Investment income	-	-	-	-	-	-	-	10,893	10,893
Penalties and costs on taxes	-	-	-	-	-	-	-	15,249	15,249
Licences and permits	7,937	-	-	-	-	-	-	-	7,937
	<u>16,986</u>	<u>265,698</u>	<u>210,096</u>	<u>56,202</u>	<u>-</u>	<u>74,949</u>	<u>32,613</u>	<u>710,755</u>	<u>1,367,299</u>
Expenses									
Salaries and wages	-	54,279	10,482	6,177	-	84,023	6,888	191,452	353,301
Contracted and general services	16,436	25,482	153,106	28,026	12,081	27,281	1,510	91,825	355,747
Materials, goods and utilities	438	51,700	30,680	6,895	-	27,658	868	18,484	136,723
Transfer to local agencies	97,325	-	-	32,488	-	5,498	-	-	135,311
Amortization	-	365,362	117,520	(2,708)	-	67,708	-	16,750	564,632
Other	-	-	-	-	-	-	-	34,813	34,813
	<u>114,199</u>	<u>496,823</u>	<u>311,788</u>	<u>70,878</u>	<u>12,081</u>	<u>212,168</u>	<u>9,266</u>	<u>353,324</u>	<u>1,580,527</u>
Net surplus (deficit)	\$ (97,213)	\$ (231,125)	\$ (101,692)	\$ (14,676)	\$ (12,081)	\$ (137,219)	\$ 23,347	\$ 357,431	\$ (213,228)

December 31, 2018

19. Prior Period Adjustment

	<u>2017 as Reported</u>	<u>Adjustment</u>	<u>2017 Restated</u>
Deferred Revenue	<u>(1,250)</u>	<u>(538,576)</u>	<u>(539,826)</u>
Net Financial Assets	<u>1,157,277</u>	<u>(538,576)</u>	<u>617,451</u>
Unrestricted surplus	<u>(1,149,091)</u>	<u>538,576</u>	<u>(610,515)</u>
Accumulated Surplus	<u>(9,792,245)</u>	<u>538,576</u>	<u>(9,253,669)</u>

A prior period adjustment has been recorded to adjust opening deferred revenue as at January 1, 2017 to account for additional deferred revenue that had been recorded as grant revenue in the prior years. As a result of this adjustment opening deferred revenue has been increased by \$538,576 and opening unrestricted surplus has been decreased by \$538,576

20. Comparative Figures

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

21. Approval of Financial Statements

Council and Management approved these financial statements.
