

Village of Caroline
Consolidated Financial Statements
For the year ended December 31, 2019

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Consolidated Financial Statements
For the year ended December 31, 2019

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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 Village of Caroline and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019 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.

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.

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

Independent Auditor's Report, continued

- 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 County, Alberta
June 5, 2020

Village of Caroline
Consolidated Statement of Financial Position

December 31	2019	2018
Financial assets		
Cash and cash equivalents (Note 1)	\$ 1,670,900	\$ 1,600,646
Taxes receivable (Note 2)	137,488	198,204
Accounts receivable (Note 3)	187,590	70,866
	1,995,978	1,869,716
Liabilities		
Accounts payable and accrued liabilities	116,563	104,380
Deferred revenue (Note 4)	1,110,207	851,139
Long-term debt (Note 5)	268,340	306,832
	1,495,110	1,262,351
Net financial assets	500,868	607,365
Non-financial assets		
Tangible capital assets (Note 6)	7,612,317	8,177,260
Prepaid expenses	-	5,234
	7,612,317	8,182,494
Accumulated Surplus (Note 8)	\$ 8,113,185	\$ 8,789,859
Debt limits (Note 14)		
Contingencies (Note 15)		
Commitments (Note 16)		

Village of Caroline
Consolidated Statement of Operations

For the year ended December 31	Budget 2019	2019	2018
Revenue			
Net municipal taxes (Note 10)	\$ 501,971	\$ 506,934	\$ 494,019
Government transfers for operating (Note 11)	167,101	167,187	144,369
Sales and user fees	291,951	290,886	292,338
Franchises and concessions	70,000	89,621	64,502
Investment income	7,000	14,155	12,721
Penalties and costs on taxes	20,000	13,724	24,704
Licences and permits	8,900	11,822	52,144
Gain (loss) on disposal of assets	-	(2,790)	3,032
	<u>1,066,923</u>	<u>1,091,539</u>	<u>1,087,829</u>
Expenditures (Note 12)			
Legislative	47,000	49,854	60,003
Administration	381,665	394,336	313,898
Protective services	75,300	86,956	57,641
Transportation services	602,661	590,436	596,288
Water and wastewater	267,645	361,225	282,479
Waste management	103,114	101,768	75,709
Planning and development	12,500	7,829	7,259
Recreation and parks	156,773	180,185	166,317
Public health and welfare	21,952	19,993	20,044
	<u>1,668,610</u>	<u>1,792,582</u>	<u>1,579,638</u>
Excess (deficiency) of revenue over expenditures - before other	(601,687)	(701,043)	(491,809)
Other			
Government transfers for capital (Note 11)	349,918	24,369	28,000
Excess (deficiency) of revenue over expenditures	<u>(251,769)</u>	<u>(676,674)</u>	<u>(463,809)</u>
Accumulated surplus, beginning of the year	<u>8,789,859</u>	<u>8,789,859</u>	<u>9,253,668</u>
Accumulated surplus, end of year	<u>\$ 8,538,090</u>	<u>\$ 8,113,185</u>	<u>\$ 8,789,859</u>

Village of Caroline
Consolidated Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2019	2019	2018
Excess (deficiency) of revenue over expenditures	\$ (251,769)	\$ (676,674)	\$ (463,809)
Acquisition of tangible capital assets	-	(57,833)	(157,191)
Amortization of tangible capital assets	574,252	574,252	567,050
Net (gain) loss on sale of tangible capital assets	-	2,790	(3,032)
Proceeds on sale of tangible capital assets	-	45,734	45,430
	322,483	(111,731)	(11,552)
Change in prepaid expenses	-	5,234	217
Net change in net financial assets	322,483	(106,497)	(11,335)
Net financial assets, beginning of year	607,365	607,365	618,700
Net financial assets, end of year	\$ 929,848	\$ 500,868	\$ 607,365

Village of Caroline
Consolidated Statement of Cash Flows

For the year ended December 31	2019	2018
Operating transactions		
Excess of revenue over expenditures	\$ (676,674)	\$ (463,809)
Items not involving cash		
Amortization	574,252	567,050
Net loss (gain) on disposal of tangible capital assets	2,790	(3,032)
Changes in non-cash operating balances		
Taxes receivable	60,716	4,892
Accounts receivable	(116,724)	64,641
Prepaid expenses	5,234	217
Accounts payable and accrued liabilities	12,183	(16,041)
Deferred revenue	259,068	311,312
	<u>120,845</u>	<u>465,230</u>
Capital transactions		
Acquisition of tangible capital assets	(57,833)	(157,191)
Proceeds on sale of tangible capital assets	45,734	45,430
	<u>(12,099)</u>	<u>(111,761)</u>
Investing transactions		
Restricted cash balances	<u>(159,069)</u>	<u>(312,512)</u>
Financing transactions		
Repayment of long-term debt	<u>(38,492)</u>	<u>(37,785)</u>
Net change in cash and cash equivalents	(88,815)	3,172
Cash and cash equivalents, beginning of year	<u>749,558</u>	<u>746,386</u>
Cash and cash equivalents, end of year	<u>\$ 660,743</u>	<u>\$ 749,558</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 1,670,900	\$ 1,600,646
Less: restricted (Note 1)	(1,010,157)	(851,088)
	<u>\$ 660,743</u>	<u>\$ 749,558</u>

Village of Caroline Summary of Significant Accounting Policies

December 31, 2019

**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

**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.

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2019

**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 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.

Village of Caroline
Summary of Significant Accounting Policies

December 31, 2019

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, 2019

1. Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
Current chequing and savings accounts	<u>\$ 1,670,900</u>	<u>\$ 1,600,646</u>
	<u>\$ 1,670,900</u>	<u>\$ 1,600,646</u>

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, 2019 \$nil (2018 - \$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.

	<u>2019</u>	<u>2018</u>
Federal Gas Tax grant	<u>69,922</u>	<u>93,814</u>
MSI Capital	<u>940,235</u>	<u>757,274</u>
	<u>\$ 1,010,157</u>	<u>\$ 851,088</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

2. Taxes Receivable

	2019		2018
Current taxes and grants in place	\$ 66,621	\$	54,089
Non-current taxes and grants in place	70,867		167,078
	<u>137,488</u>		<u>221,167</u>
Less: Allowance for doubtful accounts	-		22,963
	<u>\$ 137,488</u>	\$	<u>198,204</u>

3. Accounts Receivable

	2019		2018
Trade receivables	\$ 86,606	\$	60,604
GST receivable	984		10,262
Grants receivable	100,000		-
	<u>\$ 187,590</u>	\$	<u>70,866</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

4. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	Ending balance
Municipal Sustainability Initiative - Capital	757,275	182,960	-	940,235
Federal Gas Tax Grant	93,814	100,477	(24,369)	169,922
MSI operating	-	65,086	(65,086)	-
County Revenue Sharing	-	50,000	(50,000)	-
Other	50	-	-	50
Library	-	52,101	(52,101)	-
	<u>\$ 851,139</u>	<u>450,624</u>	<u>(191,556)</u>	<u>\$ 1,110,207</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.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

5. Long-Term Debt

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

	2019	2018
Alberta Capital Finance Authority Debenture, bearing interest at 1.86% per year, due 2026.	268,340	306,832

Principal and interest payments relating to net long term debt of \$268,340 outstanding are due as follows:

	Principal Repayments	Interest Payments	Total
2020	\$ 39,211	\$ 4,810	\$ 44,021
2021	39,944	4,077	44,021
2022	40,690	3,331	44,021
2023	41,450	2,570	44,020
2024	42,225	1,796	44,021
Thereafter	64,820	1,209	66,029
	\$ 268,340	\$ 17,793	\$ 286,133

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

6. Tangible Capital Assets

	2019						
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Total
Cost, beginning of year	\$ 177,902	\$ 441,598	\$ 3,230,588	\$ 12,058,692	\$ 309,935	\$ 152,134	\$ 16,370,849
Additions	-	-	-	-	57,833	-	57,833
Disposals	-	-	-	-	(48,930)	-	(48,930)
Cost, end of year	<u>\$ 177,902</u>	<u>\$ 441,598</u>	<u>\$ 3,230,588</u>	<u>\$ 12,058,692</u>	<u>\$ 318,838</u>	<u>\$ 152,134</u>	<u>\$ 16,379,752</u>
Accumulated amortization, beginning of year	\$ -	\$ 292,340	\$ 1,229,389	\$ 6,393,708	\$ 161,841	\$ 116,311	\$ 8,193,589
Amortization	-	18,966	63,301	472,213	12,513	7,259	574,252
Disposals	-	-	-	-	(406)	-	(406)
Accumulated amortization, end of year	<u>\$ -</u>	<u>\$ 311,306</u>	<u>\$ 1,292,690</u>	<u>\$ 6,865,921</u>	<u>\$ 173,948</u>	<u>\$ 123,570</u>	<u>\$ 8,767,435</u>
Net carrying amount, end of year	<u>\$ 177,902</u>	<u>\$ 130,292</u>	<u>\$ 1,937,898</u>	<u>\$ 5,192,771</u>	<u>\$ 144,890</u>	<u>\$ 28,564</u>	<u>\$ 7,612,317</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

6. Tangible Capital Assets (continued)

							2018
	Land	Land	Buildings	Engineered	Machinery	Vehicles	Total
	Improvements	Improvements		Structures	and		
					Equipment		
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	<u>\$ 177,902</u>	<u>\$ 441,598</u>	<u>\$ 3,230,588</u>	<u>\$ 12,058,692</u>	<u>\$ 309,935</u>	<u>\$ 152,134</u>	<u>\$ 16,370,849</u>
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	<u>-</u>	<u>\$ 292,340</u>	<u>\$ 1,229,389</u>	<u>\$ 6,393,708</u>	<u>\$ 161,841</u>	<u>\$ 116,311</u>	<u>\$ 8,193,589</u>
Net carrying amount, end of year	<u>\$ 177,902</u>	<u>\$ 149,258</u>	<u>\$ 2,001,199</u>	<u>\$ 5,664,984</u>	<u>\$ 148,094</u>	<u>\$ 35,823</u>	<u>\$ 8,177,260</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

7. Equity in Tangible Capital Assets

	2019	2018
Tangible capital assets	\$ 16,379,752	\$ 16,370,849
Accumulated amortization	(8,767,435)	(8,193,589)
Debenture debt	(268,340)	(306,832)
	\$ 7,343,977	\$ 7,870,428

8. Accumulated Surplus

	2019	2018
Equity in tangible capital assets	\$ 7,343,977	\$ 7,870,428
Unrestricted surplus	410,954	561,177
	7,754,931	8,431,605
Restricted surplus		
Administration	321,254	321,254
Equipment and Maintenance reserve	37,000	37,000
	358,254	358,254
	\$ 8,113,185	\$ 8,789,859

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, 2019

9. Change in Accumulated Surplus

	Unrestricted surplus		Restricted surplus		Equity in tangible capital assets		2019	2018		
Balance, beginning of year	\$	561,177	\$	358,254	\$	7,870,428	\$	8,789,859	\$	9,253,668
Excess of revenue over expenses		(676,674)		-		-		(676,674)		(463,809)
Debenture principal payments		(38,492)		-		38,492		-		-
Acquisition of capital		(57,833)		-		57,833		-		-
Disposals and write-down of assets		45,734		-		(45,734)		-		-
Amortization		574,252		-		(574,252)		-		-
Gain on disposal of assets		2,790		-		(2,790)		-		-
Change in accumulated surplus	\$	(150,223)	\$	-	\$	(526,451)	\$	(676,674)	\$	(463,809)
Balance, end of year	\$	410,954	\$	358,254	\$	7,343,977	\$	8,113,185	\$	8,789,859

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

10. Taxation - Net

	Budget 2019	2019	2018
Real property	\$ 605,871	\$ 605,729	\$ 601,971
Government grants in place of property taxes	2,600	3,808	1,231
	608,471	609,537	603,202
Requisitions			
Alberta School Foundation Fund	98,000	95,086	98,376
Red Deer Catholic School	5,000	4,017	3,959
Seniors Requisition	3,500	3,500	6,848
	106,500	102,603	109,183
Available for general municipal purposes	\$ 501,971	\$ 506,934	\$ 494,019

11. Government Transfers

	Budget 2019	2019	2018
Operating			
Provincial government	167,101	167,187	144,369
Capital			
Provincial government	\$ 349,918	\$ 24,369	\$ 28,000
Total government transfers	\$ 517,019	\$ 191,556	\$ 172,369

12. Expenses by Object

	Budget 2019	2019	2018
Salaries and wages	\$ 449,336	\$ 471,807	\$ 459,720
Contracted and general services	368,256	406,099	305,509
Materials, goods and utilities	140,986	207,008	149,609
Transfer to local agencies	129,462	127,887	91,515
Interest on long-term debt	6,318	5,529	6,235
Amortization	574,252	574,252	567,050
	\$ 1,668,610	\$ 1,792,582	\$ 1,579,638

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

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 2019</u>	<u>Total 2018</u>
Councilor Rimmer	13,274	-	13,274	10,630
Councilor Parsons	4,971	-	4,971	5,100
Councilor Ceasor	4,443	-	4,443	1,900
Councilor Bugbee	8,509	-	8,509	6,000
Councilor Sumyk	6,609	-	6,609	3,800
Chief Administrative Officer Beebe	82,342	456	82,798	85,445

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>2019</u>	<u>2018</u>
Total debt limit	\$ 1,673,862	\$ 1,631,743
Total debt	268,340	306,832
Total debt limit available	<u>1,405,522</u>	<u>1,324,911</u>
Debt servicing limit	278,997	271,957
Debt servicing	44,021	44,020
Total debt servicing limit available	<u>234,976</u>	<u>227,937</u>

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, 2019

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, 2019, 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 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 2020 year.

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

17. Budget

The budget adopted by Council on February 19, 2019 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 February 19, 2019, with adjustments as follows:

	<u>2019</u>
Budgeted surplus for the year	\$ 285,139
Add:	
Budgeted transfers from reserves	(359)
Debenture principal payments	37,703
Less:	
Amortization not budgeted	<u>(574,252)</u>
Budgeted surplus (deficit) per statement of operations	<u>\$ (251,769)</u>

December 31, 2019

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, 2019

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, 2019

18. Segmented Information (continued)

For the year ended December 31, 2019	Protective Services	Transportation Services	Water and Wastewater	Waste Management	Planning and Development	Recreation and Parks	Public Health and Welfare	General Government	2019 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	506,934	\$ 506,934
Government transfers for operating	-	-	-	-	-	52,101	-	115,086	167,187
Government transfers for capital	-	-	-	-	-	-	-	24,369	24,369
Sales and user fees	1,526	-	211,283	59,838	-	14,451	3,250	537	290,885
Franchises and concessions	-	-	-	-	-	-	-	89,621	89,621
Investment income	-	-	-	-	-	-	-	14,155	14,155
Penalties and costs on taxes	-	-	-	-	-	-	-	13,725	13,725
Licences and permits	11,822	-	-	-	-	-	-	-	11,822
Gain on disposal of assets	-	-	-	-	-	-	-	(2,790)	(2,790)
	<u>13,348</u>	<u>-</u>	<u>211,283</u>	<u>59,838</u>	<u>-</u>	<u>66,552</u>	<u>3,250</u>	<u>761,637</u>	<u>1,115,908</u>
Expenses									
Salaries and wages	-	74,194	86,223	6,802	-	71,169	12,044	221,375	471,807
Contracted and general services	36,959	67,417	132,371	25,610	7,829	11,024	3,447	121,442	406,099
Materials, goods and utilities	1,781	42,138	35,833	142	-	41,604	12	85,498	207,008
Transfer to local agencies	48,218	-	-	69,214	-	5,964	4,491	-	127,887
Interest on long-term debt	-	5,529	-	-	-	-	-	-	5,529
Amortization	-	401,159	106,795	-	-	50,183	-	16,115	574,252
	<u>86,958</u>	<u>590,437</u>	<u>361,222</u>	<u>101,768</u>	<u>7,829</u>	<u>179,944</u>	<u>19,994</u>	<u>444,430</u>	<u>1,792,582</u>
Net surplus (deficit)	<u>\$ (73,610)</u>	<u>\$ (590,437)</u>	<u>\$ (149,939)</u>	<u>\$ (41,930)</u>	<u>\$ (7,829)</u>	<u>\$ (113,392)</u>	<u>\$ (16,744)</u>	<u>\$ 317,207</u>	<u>\$ (676,674)</u>

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

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	-	92,268	144,369
Government transfers for capital	-	-	-	-	-	-	-	28,000	28,000
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
Gain on disposal of assets	-	-	-	-	-	-	-	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	51,353	48,461	4,745	-	26,444	28	15,646	149,609
Transfer to local agencies	35,367	-	-	42,657	-	5,555	7,936	-	91,515
Interest on long-term debt	-	6,235	-	-	-	-	-	-	6,235
Amortization	-	398,217	102,391	-	-	49,499	-	16,943	567,050
Other	-	-	-	-	-	-	-	-	-
	<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)	\$ (1,466)	\$ (596,283)	\$ (82,126)	\$ (23,361)	\$ (7,259)	\$ (98,817)	\$ (1,735)	\$ 347,238	\$ (463,809)

Village of Caroline
Notes to Consolidated Financial Statements

December 31, 2019

19. Subsequent Events

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy has increased.

If the impacts of COVID-19 continue there could be further impact on the Municipality and its major customers, suppliers and other third party businesses and Municipality associates that could impact the timing and amounts realized of the Municipality's assets and future profitability. At this time, the full potential impact of COVID-19 on the entity is not know.

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.
