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GREGORY
HARRIMAN
& ASSOCIATES LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Village of Carbon

Financial Statements

For the Year Ended December 31, 2018

VILLAGE OF CARBON

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the
Village of Carbon

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Village of Carbon as at December 31, 2018 and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Strathmore, Alberta
April 18, 2019

Gregory, Harriman & Assoc. LLP
Gregory, Harriman & Associates LLP
Chartered Professional Accountants

Village of Carbon
Consolidated Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,209,810	\$ 756,426
Taxes and grants in place receivable <i>(Note 3)</i>	48,119	62,953
Trade and other accounts receivable <i>(Note 4)</i>	82,681	64,588
Goods and Services Tax receivable	26,573	10,127
Investments <i>(Note 5)</i>	128,785	251,905
Land inventory held for resale	198,910	198,252
Other financial assets <i>(Note 6)</i>	5,587	5,306
	1,700,465	1,349,557
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 7, 18)</i>	59,436	47,855
Deposit liabilities <i>(Note 8)</i>	4,570	6,640
Deferred revenue <i>(Note 9)</i>	692,681	356,762
Long term debt <i>(Note 11, 12)</i>	349,902	411,569
	1,106,589	822,826
NET FINANCIAL ASSETS	593,876	526,731
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2) <i>(Note 13)</i>	4,819,318	4,681,363
	4,819,318	4,681,363
ACCUMULATED SURPLUS (Schedule 1) <i>(Note 15)</i>	\$ 5,413,194	\$ 5,208,094

CONTINGENCIES *(Note 17)*

Approved by : _____ Mayor _____ Chief Administrative Officer

Village of Carbon
Consolidated Statement of Operations
For the Year Ended December 31, 2018

	<i>Budget</i> <i>(Unaudited)</i>	2018	2017
REVENUE			
Net municipal property taxes (Schedule 3)	\$ 417,868	\$ 415,347	\$ 411,770
Sale of goods and user charges	424,073	421,397	373,626
Penalties and costs on taxes	18,000	7,829	20,007
Licenses and permits	2,250	2,155	2,332
Franchise and concession contracts	33,500	33,546	36,329
Investment income	6,500	13,010	1,915
Government transfers (Schedule 4)	346,018	351,642	442,050
Other revenues	-	24,787	14,314
Gain on disposal of tangible capital asset	-	27,851	15,500
Parkview Lodge	49,552	53,822	47,859
TOTAL REVENUE	1,297,761	1,351,386	1,365,702
EXPENSES (Schedule 5)			
Legislative	50,800	58,283	31,126
Administration	219,297	244,572	173,516
Protective services	64,850	103,306	114,629
Roads, streets, walks and lighting	181,828	279,198	218,935
Water supply and distribution (<i>Note 18</i>)	285,099	250,094	294,070
Wastewater treatment and disposal	69,038	114,106	111,507
Waste management	49,373	49,827	51,188
Planning and development	22,167	33,732	19,718
Public health and welfare	8,950	5,371	6,572
Recreation, parks and culture	235,140	241,542	217,527
Parkview Lodge	48,736	53,579	66,129
TOTAL EXPENSES	1,235,278	1,433,610	1,304,917
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	62,483	(82,224)	60,785
OTHER			
Government transfers for capital (Schedule 4)	-	287,324	503,601
EXCESS OF REVENUE OVER EXPENSES	62,483	205,100	564,386
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,208,094	5,208,094	4,643,708
ACCUMULATED SURPLUS, END OF YEAR	\$ 5,270,577	\$ 5,413,194	\$ 5,208,094

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

Village of Carbon
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2018

	<i>Budget</i> <i>(Unaudited)</i>	2018	2017
	<u>\$ 62,483</u>	<u>\$ 205,100</u>	<u>\$ 564,386</u>
EXCESS OF REVENUE OVER EXPENSES			
Acquisition of tangible capital assets (Schedule 2)	-	(342,732)	(602,407)
Proceeds on disposal of tangible capital assets	-	34,781	15,500
Amortization of tangible capital assets (Schedule 2)	-	197,847	198,061
Gain on disposal of tangible capital assets	-	(27,851)	(15,500)
	<u>-</u>	<u>(137,955)</u>	<u>(404,346)</u>
INCREASE IN NET ASSETS	62,483	67,145	160,040
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>526,731</u>	<u>526,731</u>	<u>366,691</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 589,214</u>	<u>\$ 593,876</u>	<u>\$ 526,731</u>

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Gregory, Harriman & Associates LLP

Village of Carbon
Consolidated Statement of Changes in Cash Flows
For the Year Ended December 31, 2018

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess of revenue over expenses	\$ 205,100	\$ 564,386
Non-cash items included in excess (shortfall) of revenue over expenses:		
Amortization of tangible capital assets	197,847	198,061
Gain (Loss) on sale of tangible capital assets	(27,851)	(15,500)
	375,096	746,947
Non-cash charges to operations (net change):		
Decrease (Increase) in taxes and grants in place receivable	14,834	(4,263)
Decrease (Increase) in trade and other receivables	(18,096)	1,164
Decrease (Increase) in Goods and Services Tax receivable	(16,446)	6,797
Decrease (Increase) in land held for resale	(658)	-
Decrease (Increase) in other financial assets	(281)	(121)
Increase (Decrease) in accounts payable and accrued liabilities	11,581	(28,996)
Increase (Decrease) in deposit liabilities	(2,070)	(2,344)
Increase (Decrease) in deferred revenue	335,919	(406,708)
	699,879	312,476
Capital		
Acquisition of tangible capital assets	(320,804)	(602,407)
Sale of tangible capital asset	34,781	15,500
Cash applied to capital transactions	(286,023)	(586,907)
Investing		
Decrease (Increase) in restricted cash or cash equivalents	(335,919)	406,708
Decrease (Increase) in investments	123,123	(118,268)
Cash provided by (applied to) investing transactions	(212,796)	288,440
Financing Activities		
Long term debt repaid	(61,667)	(61,667)
Long term debt issued	-	-
Cash provided by (applied to) financing transactions	(61,667)	(61,667)
Change in Cash and Cash Equivalents, during the year	139,393	(47,658)
Cash and Cash Equivalents, beginning of the year	399,664	447,322
Cash and Cash Equivalents, end of the year	\$ 539,057	\$ 399,664
Cash and cash equivalents is made up of:		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,209,810	\$ 756,426
Less: restricted portion of cash and temporary investments <i>(Note 2)</i>	(692,681)	(356,762)
	\$ 517,129	\$ 399,664

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Gregory, Harriman & Associates LLP

Village of Carbon
Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2018
(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 507,780	\$ 380,611	\$ 4,319,703	\$ 5,208,094	\$ 4,643,708
Excess of revenue over expenses	205,100	-	-	205,100	564,386
Unrestricted funds designated for future use	-	-	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(342,733)	-	342,733	-	-
Annual amortization expense	197,847	-	(197,847)	-	-
Capital long term debt repaid	(54,199)	-	54,199	-	-
Disposal of tangible capital assets	6,931	-	(6,931)	-	-
Change in accumulated surplus	12,946	-	192,154	205,100	564,386
BALANCE, END OF YEAR	\$ 520,726	\$ 380,611	\$ 4,511,857	\$ 5,413,194	\$ 5,208,094

The accompanying notes form an integral part of these financial statements.
 Gregory, Harriman & Associates LLP

Village of Carbon
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2018
(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
COST:								
BALANCE, BEGINNING OF YEAR	\$ 602,345	\$ 331,827	\$ 1,661,781	\$ 4,741,964	\$ 538,640	\$ 202,517	\$ 8,079,074	\$ 7,546,167
Acquisition of tangible capital assets	-	70,287	-	236,017	14,500	-	320,804	602,407
Construction-in-process	-	21,928	-	-	-	-	21,928	-
Disposal of tangible capital assets	(72)	(5,493)	-	-	(8,090)	-	(13,655)	(69,500)
BALANCE, END OF YEAR	602,273	418,549	1,661,781	4,977,981	545,050	202,517	8,408,151	8,079,074
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	152,873	642,947	2,105,465	339,611	156,815	3,397,711	3,269,150
Annual amortization	-	12,910	36,157	104,538	32,653	11,589	197,847	198,061
Accumulated amortization on disposals	-	(5,355)	-	-	(1,370)	-	(6,725)	(69,500)
BALANCE, END OF YEAR	-	160,428	679,104	2,210,003	370,894	168,404	3,588,833	3,397,711
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 602,273	\$ 258,121	\$ 982,677	\$ 2,767,978	\$ 174,156	\$ 34,113	\$ 4,819,318	\$ 4,681,363
2017 Net Book Value of Tangible Capital Assets	\$ 602,345	\$ 178,954	\$ 1,018,834	\$ 2,636,499	\$ 199,029	\$ 45,702	\$ 4,681,363	

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 Gregory, Harriman & Associates LLP

Village of Carbon
Schedule of Property and Other Taxes
For the Year Ended December 31, 2018
(Schedule 3)

	<i>Budget</i> <i>(Unaudited)</i>	2018	2017
TAXATION			
Real property taxes	\$ 513,403	\$ 510,658	\$ 504,559
Linear property taxes	9,290	9,514	9,043
Government grants in place of property taxes	-	-	-
	<u>522,693</u>	<u>520,172</u>	<u>513,602</u>
REQUISITIONS			
Alberta School Foundation Fund	104,081	104,081	101,140
Kneehill Housing Corporation	744	744	692
	<u>104,825</u>	<u>104,825</u>	<u>101,832</u>
NET MUNICIPAL TAXES	<u>\$ 417,868</u>	<u>\$ 415,347</u>	<u>\$ 411,770</u>

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Village of Carbon
Schedule of Government Transfers
For the Year Ended December 31, 2018
(Schedule 4)

	<i>Budget</i> <i>(Unaudited)</i>	2018	2017
TRANSFERS FOR OPERATING			
Provincial Government	\$ 44,227	\$ 72,192	\$ 64,539
Federal Government	-	-	9,988
Other Local Governments	301,791	279,450	367,523
	<u>346,018</u>	<u>351,642</u>	<u>442,050</u>
TRANSFERS FOR CAPITAL			
Provincial Government	-	287,324	503,601
	<u>-</u>	<u>287,324</u>	<u>503,601</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 346,018</u>	<u>\$ 638,966</u>	<u>\$ 945,651</u>

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 Gregory, Harriman & Associates LLP

Village of Carbon
Schedule of Consolidated Expenses by Object
For the Year Ended December 31, 2018
(Schedule 5)

	<i>Budget</i> <i>(Unaudited)</i>	2018	2017
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits <i>(Note 16)</i>	\$ 389,152	\$ 381,826	\$ 308,683
Contracted and general services	459,356	494,132	466,847
Materials, goods, supplies and utilities	311,500	272,034	237,664
Transfers to individuals and organizations	47,703	47,196	77,242
Interest on capital long term debt	11,367	12,426	13,756
Amortization of tangible capital assets	-	197,847	198,061
Other expenses	16,200	28,149	2,664
	<u>\$ 1,235,278</u>	<u>\$ 1,433,610</u>	<u>\$ 1,304,917</u>

The accompanying notes form an integral part of these financial statements.
Gregory, Harriman & Associates LLP

Village of Carbon
Notes to Financial Statements
December 31, 2018

1) Significant Accounting Policies

The Village of Carbon (the "Village") is a Municipality in the Province of Alberta. The consolidated financial statements are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of these accounting policies adopted by the Village are as follows:

A. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue 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 the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial resources. Included with the municipality are the following:

Parkview Lodge of Carbon

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

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 legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

C. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure 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. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets is an area where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

D. Investments

Investments are recorded at cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

E. Requisition Over-levy and Under-levy

Over-levies and under-levies 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 property tax revenue is reduced. In situations where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and reflected as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any excess collections or under-levies of the prior year.

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Village of Carbon
Notes to Financial Statements
December 31, 2018

1) Significant Accounting Policies (continued)

F. Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

G. Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

H. Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

I. Land Inventory Held for Resale

Land inventory held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective functions.

J. 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 revenue over expenses, provides the consolidated Change in Net Financial Assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital asset, is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	10-75
Buildings	20-50
Engineered structures	
Roadway system	10-85
Water distribution system	25-75
Wastewater treatment system	45-75
Machinery, equipment and furnishings	5-40
Vehicles	5-15

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Village of Carbon
Notes to Financial Statements
December 31, 2018

2) Cash and Temporary Investments	2018	2017
Petty cash	\$ 50	\$ 50
Cash	281,720	223,587
Temporary investments	928,040	532,789
	\$ 1,209,810	\$ 756,426

Temporary investments are short-term deposits with original maturities of three months or less.

The Village received Government grants and donations that are restricted in their use and are to be utilized as funding for capital projects. Since the projects have not been completed for which the funding has been received, \$692,681 (2017 - \$356,762) is not available for general use by the Village (Note 9).

The Village of Carbon has an overdraft limit of \$100,000, bearing interest at prime with an effective rate of 3.95%, of which \$100,000 remains unused at December 31, 2018.

3) Taxes and Grants in Place Receivable	2018	2017
Current taxes and grants in place	\$ 28,863	\$ 45,143
Tax arrears and grants in place	19,256	17,810
	\$ 48,119	\$ 62,953

4) Trade and Other Accounts Receivable	2018	2017
Water and sewer receivable	\$ 47,117	\$ 46,147
Accounts receivable - cost recovery	15,134	16,325
Accounts receivable - other	20,430	2,116
	\$ 82,681	\$ 64,588

5) Investments	2018	2017
Term deposits	\$ 128,785	\$ 251,905

The term deposits represents Mountain View Credit Union investment certificates that bears interest of 1.60% to 2.10% and mature in less than one year.

6) Other Financial Assets	2018	2017
Alberta Capital Financial Authority shares	\$ 10	\$ 10
Mountain View Credit Union shares	5,577	5,296
	\$ 5,587	\$ 5,306

7) Accounts Payable and Accrued Liabilities	2018	2017
Accrued liabilities	\$ 20,000	\$ 19,500
Trade accounts payable	39,436	18,661
Accrued vacation pay payable	-	9,694
	\$ 59,436	\$ 47,855

The vacation liability represents the vacation that employees have earned and are entitled to within the next year. In 2018, these were paid out prior to December 31, 2018.

Village of Carbon
Notes to Financial Statements
December 31, 2018

8) Deposit Liabilities	2018	2017
Parkview deposit	\$ 4,500	\$ 3,090
Other deposits	70	3,550
	\$ 4,570	\$ 6,640
9) Deferred Revenue	2018	2017
Municipal Sustainability Initiative - Capital	\$ 447,500	\$ 46,185
Alberta Community Resiliency Program	234,083	234,083
Funds for Future Skating Rink	7,398	7,398
Carbon Centennial Donations	3,700	3,700
Basic Municipal Transportation Grant	-	38,437
Federal Gas Tax Fund	-	26,959
	\$ 692,681	\$ 356,762

Municipal Sustainability Initiative

The Municipal Sustainability Initiative ("MSI") is a funding program aimed at providing financial support for critical core and community infrastructure projects and includes incentives to encourage collaboration and cooperation between neighbouring municipalities. This population-based funding program includes operating, capital and affordable housing components. The balance represents funds brought forward from 2017 of \$46,185 plus additional funding of \$443,762 received in 2018 less funds spent of \$42,447.

Alberta Community Resiliency Program

This grant is a provincially funded program that provides support in the development of long term resilience to flood and drought events. The balance represents the unexpensed portion of the grant brought forward from 2017 of \$234,083.

Basic Municipal Transportation Grant

The Basic Municipal Transportation Grant ("BMTG") provided cost-shared grants to municipalities to assist with the provision of lasting street improvements, to enhance life in rural centers and to serve to attract the decentralization of industry. Approved projects were eligible for 75 percent provincial funding for construction and engineering costs. The balance represents funds brought forward from 2017 of \$38,437 less funds spent of \$38,437.

Federal Gas Tax Fund

The Federal Gas Tax Fund is a per capita grant to assist municipalities in addressing their sustainable municipal capital infrastructure needs. The program is supported through the allocation to Alberta Municipalities of a portion of the federal gasoline tax. Funding under this program is subject to the province receiving the funding from the federal government. The program provides conditional grants for capital-related projects which meet the program eligibility criteria. There is no requirement for a municipal funding contribution to projects accepted under this program. The balance represents funds brought forward from 2017 of \$26,959 plus additional funding received of \$200,000 in 2018 less funds spent of \$226,959.

All of the unexpended funds held in deferred revenue are supported by temporary investments as noted in Note 2.

Village of Carbon
Notes to Financial Statements
December 31, 2018

10) Contaminated Sites Liability

The Village has adopted PS3260 Liability for Contaminated Sites. The Village did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

11) Long Term Debt

	2018	2017
Mountain View Credit Union loan	\$ 349,902	\$ 411,569
	349,902	411,569
Less: Current portion	(61,667)	(61,667)
	\$ 288,235	\$ 349,902

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2019	61,667	10,497	72,164
2020	61,667	8,647	70,314
2021	61,667	6,797	68,464
2022	61,667	4,947	66,614
2023	61,667	3,097	64,764
Thereafter	41,567	1,247	42,814
	\$ 349,902	\$ 35,232	\$ 385,134

The bank loan payable at the Mountain View Credit Union bears an interest rate of Mountain View Credit Union prime less 0.5% with an effective rate of 3.45% and is payable monthly. Maturity date of loan is October 1, 2024.

Interest on long term debt amounted to \$12,426 (2017 - \$13,756).

The Village's total cash payments for interest in 2018 were \$12,426 (2017 - \$13,756).

12) 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 Carbon be disclosed as follows:

	2018	2017
Total debt limit (1.5 * total eligible revenue)	\$ 1,946,346	\$ 1,976,765
Total long term debt (Note 11)	349,902	411,569
Unused total debt limit capacity	\$ 1,596,444	\$ 1,565,196
Service on debt limit (0.25 * total eligible revenue)	\$ 324,391	\$ 329,461
Service on debt (next years principal and interest due)	72,164	74,014
Unused service on debt limit capacity	\$ 252,227	\$ 255,447

The debt limit is calculated at 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 consolidated financial statements must be interpreted as a whole.

Village of Carbon
Notes to Financial Statements
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13) Tangible Capital Assets	<u>2018</u>	<u>2017</u>
Land	\$ 602,273	\$ 602,345
Land improvements	258,121	178,954
Buildings	982,677	1,018,834
Engineered structures		
Roadway system	1,152,778	994,188
Water distribution system	610,612	604,597
Wastewater treatment system	1,004,588	1,037,714
Machinery, equipment and furnishings	174,156	199,029
Vehicles	34,113	45,702
	<u>\$ 4,819,318</u>	<u>\$ 4,681,363</u>

14) Equity in Tangible Capital Assets	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	\$ 8,408,151	\$ 8,079,074
Accumulated amortization (Schedule 2)	(3,588,833)	(3,397,711)
Long term debt - Capital	(307,461)	(361,660)
	<u>\$ 4,511,857</u>	<u>\$ 4,319,703</u>

15) Accumulated Surplus

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

	<u>2018</u>	<u>2017</u>
Unrestricted surplus (Schedule 1)	\$ 520,726	\$ 507,780
Restricted surplus (reserves)		
Recreation Board - Operating	42,939	42,939
General Administrative - Capital	56,560	56,560
General Contingency - Operating	281,112	281,112
Equity in tangible capital assets (Note 14)	<u>4,511,857</u>	<u>4,319,703</u>
	<u>\$ 5,413,194</u>	<u>\$ 5,208,094</u>

Village of Carbon
Notes to Financial Statements
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16) 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:

	Salary (1)	Benefits & Allowances (2)	Total 2018	Total 2017
Councillor Bramley, K.	\$ 600	\$ -	\$ 600	\$ 3,600
Councillor Boyd, H.	-	-	-	3,400
Councillor Clow, D.	4,800	-	4,800	-
Councillor Garrett, C.	-	-	-	1,700
Councillor Garrett, K.	5,200	-	5,200	700
Councillor Lomond, M.	3,000	-	3,000	-
Councillor Morgan, M.	-	-	-	1,000
Councillor Nash, G.	2,300	-	2,300	4,900
Councillor O'Brian, R.	2,875	-	2,875	-
Councillor Peever, B.	8,000	-	8,000	900
Chief Administrative Officer (Brodrick)	14,590	242	14,832	-
Chief Administrative Officer (McClarty)	-	-	-	55,188
Chief Administrative Officer (Van der Meer)	48,389	4,397	52,786	-
Chief Administrative Officer (Youngberg)	14,376	779	15,155	12,220
	<u>\$ 104,130</u>	<u>\$ 5,418</u>	<u>\$ 109,548</u>	<u>\$ 83,608</u>

- (1) Salary includes regular base pay and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including retirement pension, Canada pension plan (CPP), employment insurance (EI), health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

17) Contingencies

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

18) Related Party Transactions

The Aqua 7 Regional Water Commission has been identified as a related party. The Village of Carbon has entered into an agreement with the Commission for a supply of water service.

Service fees are based on budgeted operating costs of the Commission. Water purchases are based on actual water consumption during the year. Fees and rates are reviewed by the Commission on an annual basis.

Service fees and water purchases paid to the Commission for 2018 were \$161,108 (2017 - \$184,591) for water purchases and \$13,026 (2017 - \$13,026) for the Village of Carbon's share of deficit.

Amount payable to the Commission at December 31, 2018 is \$18,410 (2017 - \$10,395).

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19) Financial Instruments

The Village's financial instruments consist of cash and temporary investments, taxes and grants in place receivable, trade and other accounts receivable, investments, other financial assets, accounts payable and accrued liabilities, deposit liabilities and long term debt. Unless otherwise noted, the fair values of these financial instruments approximates their carrying values.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Village is exposed to financial risk from interest rate differentials between market interest rates and the rates used on their financial instruments.

Credit Risk

The Village of Carbon 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 Village of Carbon provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

20) Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

21) Approval of Financial Statements

Council and Management have approved these financial statements.