VILLAGE OF BARONS

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

VILLAGE OF BARONS

DECEMBER 31, 2016

CONTENTS

Scase & Partners
Professional Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COUNCIL
VILLAGE OF BARONS

We have audited the accompanying consolidated financial statements of Village of Barons, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statements of operations, changes in net financial assets (debt) 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 generally accepted 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 presentation of the financial statements.

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Village of Barons as at December 31, 2016, the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Scase & Partners

March 21, 2017
Calgary, Alberta

Professional Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and investments (Note 2)	$ 643,102	$ 862,520
Receivables:		
Taxes and grants in lieu receivable (Note 3)	55,916	44,689
Trade and other receivables	65,700	65,442
Due from other governments - GST	12,059	19,883
Land held for resale	16,345	16,345
	793,122	1,008,879
LIABILITIES		
Accounts payable and accrued liabilities	5,170	77,049
Deposit liabilities (Note 6)	15,761	27,782
Deferred revenue (Note 6)	368,696	564,723
Long term debt (Note 5)	132,363	141,357
	521,990	810,911
NET FINANCIAL ASSETS (DEBT)	271,132	197,968
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 4)	2,993,568	2,904,365
Prepaid expenses	20,914	23,070
	3,014,482	2,927,435
ACCUMULATED SURPLUS (Schedule 1, (Note 10)	$ 3,285,614	$ 3,125,403

APPROVED:

_______________ **Mayor**

A. Golen _______________ **Councilor**

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUDGET (Unaudited)	2016	2015
REVENUE			
Net municipal taxes (Schedule 3)	$ 208,723	$ 212,862	$ 209,156
User fees and sales	256,800	154,127	156,071
Penalties and costs of taxes	10,000	13,453	10,457
Government transfers (Schedule 4)	-	41,953	50,879
Fines	-	3,665	5,081
Franchise and concession contracts	17,500	20,491	17,389
Investment income	3,500	4,341	3,646
Licences and permits	1,900	1,048	745
Other	20,300	6,000	10,798
	518,723	457,940	464,222
EXPENSES			
Legislative	16,350	14,817	11,845
Administration	194,565	201,178	205,080
Fire	49,450	52,167	81,143
Bylaws enforcement	19,600	17,388	18,329
Common service	31,488	65,378	47,317
Roads, streets, walks, lighting	26,870	88,574	100,079
Water supply and distribution	92,647	95,484	108,652
Wastewater treatment and disposal	37,708	40,282	39,737
Waste management	49,642	46,994	42,048
Family and community support	2,280	2,280	2,236
Land use, planning, zoning and development	4,172	-	-
Subdivision land development	-	3,856	3,745
Parks and recreation	21,576	29,870	40,248
Culture	3,000	-	-
	549,348	658,268	700,459
(SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	(30,625)	(200,328)	(236,237)
Government transfers for capital (Schedule 4)	205,507	360,539	277,440
(SHORTFALL) EXCESS OF REVENUE OVER EXPENSES	174,882	160,211	41,203
ACCUMULATED SURPLUS, beginning of year	7,231,712	3,125,403	3,084,200
ACCUMULATED SURPLUS, end of year	$ 7,406,594	$ 3,285,614	$ 3,125,403

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2016

	BUDGET (Unaudited)	2016	2015
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	$ 174,882	$ 160,211	$ 41,203
Acquisition of tangible capital assets	(30,000)	(305,851)	(214,884)
Proceeds on disposal of tangible capital assets	-	-	1,500
Prior year adjustment (Note 4)	-	79,834	-
Amortization of tangible capital assets	-	136,813	125,631
(Gain) loss on sale of tangible capital assets	-	-	334
	(30,000)	(89,204)	(87,419)
Acquisition of supplies inventories	-	-	-
Acquisition of prepaid assets	-	(20,916)	(23,073)
Use of supplies inventories	-	-	-
Use of prepaid assets	-	23,073	21,678
	-	2,157	(1,395)
DECREASE (INCREASE) IN NET DEBT	144,882	73,164	(47,611)
NET FINANCIAL ASSETS (DEBT),			
beginning of year	(510,129)	197,968	245,579
NET FINANCIAL ASSETS (DEBT), end of year	$ (365,247)	$ 271,132	$ 197,968

The accompanying notes form an integral part of these financial statements

VILLAGE OF BARONS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (shortfall) of revenues over expenses	$ 160,211	$ 41,203
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization	136,813	125,631
(Gain) loss on disposal of tangible capital assets	-	334
Prior year adjustment (Note 4)	79,834	-
Non-cash changes to operations (net change):		
Decrease (increase) in taxes and grants in place receivable	(11,227)	18,115
Decrease (increase) in due from government trade receivables	7,823	4,245
Decrease (increase) in trade land other receivables	(258)	(9,137)
Decrease (increase) in prepaid expenses	2,155	(1,392)
Increase (decrease) in accounts payable and accrued liabilities	(71,876)	77,048
Increase (decrease) in deposit liabilities	(12,021)	12,066
Increase (decrease) in deferred revenue	(196,027)	(13,098)
CASH PROVIDED BY OPERATING TRANSACTIONS	95,427	255,015
CAPITAL		
Acquisition of tangible capital assets	(305,851)	(214,886)
Sale of tangible capital assets	-	1,500
CASH APPLIED TO CAPITAL TRANSACTIONS	(305,851)	(213,386)
FINANCING		
Long-term debt repaid	(8,994)	(8,583)
CASH APPLIED TO FINANCING TRANSACTIONS	(8,994)	(8,583)
CHANGE IN CASH AND CASH EQUIVALENTS	(219,418)	33,046
CASH AND CASH EQUIVALENTS, beginning of year	862,520	829,474
CASH AND CASH EQUIVALENTS, end of year	$ 643,102	$ 862,520
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash and temporary investments (Note 2)	$ 643,102	$ 862,520
Less: restricted portion of cash and cash investments	(466,228)	(675,309)
	$ 176,874	$ 187,211
INTEREST PAID ON LONG-TERM DEBT	$ 6,576	$ 6,986

The accompanying notes form an integral part of these financial statements

VILLAGE OF BARONS

SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 1

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
BALANCE, beginning of year	$ 280,626	$ 81,771	$ 2,763,007	$ 3,125,404	$ 3,084,201
Excess (deficiency) of revenues over expenses	160,211	-	-	160,211	41,203
Current year funds used for tangible capital assets	(305,851)	-	305,851	-	-
Annual amortization expense	136,813	-	(136,813)	-	-
Prior year adjustment (Note 4)	79,834	-	(79,834)	-	-
Long term debt decrease	(8,994)	-	8,994	-	-
Change in accumulated surplus	62,013	-	98,198	160,211	41,203
BALANCE, end of year	$ 342,639	$ 81,771	$ 2,861,205	$ 3,285,615	$ 3,125,404

SCHEDULE OF TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 2

				ENGINEERED STRUCTURES						
	LAND	LAND IMPROVEMENTS	BUILDINGS	ROADS AND STREETS	WATER SYSTEM	WASTE SYSTEM	MACHINERY AND EQUIPMENT	VEHICLES	2016	2015 Restated
COST:										
BALANCE, beginning of year	$ 95,474	$ 56,023	$ 652,759	$ 1,250,767	$ 1,858,563	$ 475,356	$ 294,745	$ 125,494	$ 4,809,181	$ 4,646,401
Acquisition of tangible capital assets	4,135	18,664	30,817	35,825	10,180	145,176	-	61,054	305,851	214,886
Disposal of tangible capital assets	-	-	-	-	-	-	-	-	-	(52,106)
Prior year adjustment	-	-	-	-	-	(79,834)	-	-	(79,834)	-
BALANCE, end of year	99,609	74,687	683,576	1,286,592	1,868,741	540,697	294,745	186,547	5,035,198	4,809,181
ACCUMULATED AMORTIZATION:										
BALANCE, beginning of year	-	13,244	272,315	938,095	330,446	159,525	153,878	37,312	1,904,815	1,829,457
Annual amortization	-	4,117	12,349	45,393	24,781	5,914	29,531	14,727	136,812	125,630
Reverse amortization on disposals	-	-	-	-	-	-	-	-	-	(50,272)
BALANCE, end of year	-	17,361	284,664	983,488	355,227	165,439	183,409	52,039	2,041,627	1,904,815
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 99,609	$ 57,326	$ 398,912	$ 303,104	$ 1,513,514	$ 375,258	$ 111,336	$ 134,508	$ 2,993,571	$ 2,904,365
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 95,474	$ 42,779	$ 380,444	$ 312,672	$ 1,528,117	$ 315,831	$ 140,867	$ 88,182	$ 2,904,366	

SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 3

	BUDGET (Unaudited)	2016	2015
TAXATION			
Real property taxes	$ 259,162	$ 222,917	$ 218,250
Linear property taxes	-	5,990	5,610
Business taxes	-	33,087	36,126
Government grants in place of property taxes	-	1,307	1,261
	259,162	263,301	261,247
REQUISITIONS			
Alberta School Foundation Fund	48,033	48,033	49,609
Seniors Lodge	2,406	2,406	2,482
	50,439	50,439	52,091
NET MUNICIPAL TAXES	$ 208,723	$ 212,862	$ 209,156

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2016
SCHEDULE 4

	BUDGET (Unaudited)	2016	2015
TRANSFERS FOR OPERATING:			
Provincial Government	$ -	$ 41,541	$ 49,379
Other Local Governments	-	412	1,500
	-	41,953	50,879
TRANSFERS FOR CAPITAL:			
Provincial Government	205,507	360,539	277,440
	205,507	360,539	277,440
TOTAL GOVERNMENT TRANSFERS	$ 205,507	402,492	$ 328,319

SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT

FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 5

	BUDGET (Unaudited)	2016	2015
CONSOLIDATED EXPENDITURES BY OBJECT			
Salaries, wages and benefits	$ 206,860	$ 180,634	$ 176,518
Contracted and general services	229,822	219,182	227,655
Materials, goods and utilities	99,100	111,856	160,374
Provision for allowances	250	-	-
Transfers to local boards and agencies	5,280	2,989	2,926
Bank charges and short-term interest	250	218	35
Interest on long-term debt	6,986	6,576	6,986
Purchases from other governments	800	-	-
Amortization of tangible capital assets	-	136,813	125,631
Loss on disposal of tangible capital assets	-	-	334
	$ 549,348	$ 658,268	$ 700,459

SCHEDULE OF SEGMENTED DISCLOSURE - REVENUES AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 6

	General Government	Protective Services	Transportation Services	Planning and Development	Recreation and Culture	Environmental Services	Other	Total
REVENUE								
Net municipal taxes	$ 212,862	$ -	$ -	$ -	$ -	$ -	$ -	$ 212,862
Government transfers	35,508	72,557	83,025	3,347	2,989	205,066	-	402,492
User fees and sales of goods	2,571	1,530	3,714	-	-	146,312	-	154,127
Investment income	4,341	-	-	-	-	-	-	4,341
Contributed assets	-	-	-	-	-	-	-	-
Other revenues	39,944	875	2,790	-	-	1,048	-	44,657
	295,226	74,962	89,529	3,347	2,989	352,426	-	818,479
EXPENSES								
Contract and general services	83,100	33,805	-	3,856	8,504	89,917	-	219,182
Salaries and wages	116,098	-	34,842	-	8,619	21,076	-	180,635
Goods and supplies	15,641	14,091	49,892	-	2,490	29,741	-	111,855
Transfers to local boards	2,989	-	-	-	-	-	-	2,989
Long-term debt interest	6,576	-	-	-	-	-	-	6,576
Other expenses	218	-	-	-	-	-	-	218
	224,622	47,896	84,734	3,856	19,613	140,734	-	521,455
NET REVENUE BEFORE AMORTIZATION	70,604	27,066	4,795	(509)	(16,624)	211,692	-	297,024
Amortization Expense	228	21,659	69,218	-	10,257	35,451	-	136,813
NET REVENUE	$ 70,376	$ 5,407	$ (64,423)	$ (509)	$ (26,881)	$ 176,241	$ -	$ 160,211

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Village of Barons are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments established by the Public Sector Accounting Board of the Canada. Significant aspects of the accounting policies adopted by the town are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the village and are therefore, accountable to the village council for the administration of their financial affairs and resources. Included with the municipality are the following:

Village of Barons Fire Department

Village of Barons Family & Community Support Services

The schedule of taxes levied also includes requisitions for education, health, social and other external organization that are not part of the municipal reporting entity.

The statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

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) Government Transfers

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

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Investments

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

(e) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provided the Consolidated Change in Net Financial Assets (Debt) for the year.

i. Tangible Capital Assets

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

Land Improvements	15-20 years
Buildings	25-50 years
Engineered Structures	
Water System	35-65 years
Wastewater system	35-65 years
Other engineered structures	15-40 years
Machinery and equipment	5-20 years
Vehicles	3-20 years

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

ii. Contributions of Tangible Capital Assets

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

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Prepaid Local Improvement Charges

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

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

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

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(h) Requisition Over-levies and Under-levies

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

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

2. CASH AND TEMPORARY INVESTMENTS

	2016	2015
Cash	$ 145,687	$ 368,565
Investments - cash	497,415	493,955
	$ 643,102	$ 862,520

2. CASH AND TEMPORARY INVESTMENTS, continued

	2016	2015
Restricted cash		
Restricted surplus	$ 81,771	$ 81,771
Deferred revenue	368,696	564,723
Deposits and other amounts	15,761	27,782
	466,228	674,276
Unrestricted	176,874	188,244
Total	$ 643,102	$ 862,520

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

Investments - cash are term deposits with maturities that extend beyond the normal operating cycle of the village.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2016	2015
Current taxes and grants in place of taxes	$ 45,111	$ 38,961
Arrears taxes	10,805	5,728
	55,916	44,689
Less: allowance for doubtful accounts	-	-
	$ 55,916	$ 44,689

4. TANGIBLE CAPITAL ASSETS

NET BOOK VALUE	2016	2015
Land	$ 99,609	$ 95,474
Buildings	398,912	380,445
Land Improvements	57,326	42,779
Engineered Structures		
Roadway system	303,104	312,673
Storm drainage	318,064	257,416
Water distribution system	1,513,514	1,528,115
Wastewater treatment system	57,195	58,415
Machinery and equipment	111,336	140,867
Vehicles	134,508	88,181
	$ 2,993,568	$ 2,904,365

4. TANGIBLE CAPITAL ASSETS, continued

A prior year adjustment was made to the tangible capital assets. There was an error in the internal records of the municipality where work-in-progress on the storage drainage system was included twice when the project was completed. The over capitalized amount was $79,833 and it happened in the 2014 fiscal year. Amortization claimed due to the error amounted to $1,596 that has been effectively adjusted in the 2016 fiscal year as it was not material to make a retroactive entry.

5. LONG-TERM DEBT

	2016	2015
AMFC debentures	$ 132,363	$ 141,357
Current Portion	$ 9,424	$ 8,994

	Principle	Interest	Total
2017	$ 9,424	$ 6,145	$ 15,569
2018	9,874	5,695	15,569
2019	10,346	5,223	15,569
2020	10,841	4,728	15,569
2021	11,360	4,209	15,569
Thereafter	80,518	12,896	93,414
	$ 132,363	$ 38,896	$ 171,259

Debenture debt is payable to Alberta Municipal Financing Authority and matures in 2032 with annual interest of 4.726%.

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

Interest on long-term debt amounted to $6,575 (2015 $6,986)

6. DEFERRED REVENUE AND DEPOSIT LIABILITIES

	2016	2015
Unearned income		
MPC bond	$ 1,796	$ 13,828
Tax surplus	11,449	11,438
Water deposits	2,516	2,516
Deferred revenue	368,696	564,723
	$ 384,457	$ 592,505

7. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials the chief administrative officer and designated officers as required by Alberta Regulation 313-2000 is as follows:

	2016			2015
	Salary (1)	Benefits and Allowances (2)	Total	Total
Deputy Mayor Gorzitiza	$ 2,160	$ -	$ 2,160	$ 3,860
Mayor Weistra	4,230	-	4,230	2,120
Councilor Golding	3,480	-	3,480	2,460
Administrator	72,154	3,949	76,103	74,333

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

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance. accidental disability amid dismemberment insurance, long and short term disability plans, professional memberships and tuition.

(3) Benefits and allowance figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services. retirement services, concession loans, travel allowances, car allowances and club memberships.

8. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Village of Barons be disclosed as follows:

	2016	2015
Total debt limit	$ 686,910	$ 696,333
Total debt	(132,363)	(141,357)
Amount of debt limit (exceeded) unused	$ 554,547	$ 554,976

	2016	2015
Debt servicing limit	$ 114,485	$ 116,056
Debt servicing	(15,569)	(15,569)
Amount of debt servicing limit (exceeded) unused	$ 98,916	$ 100,487

The debt limit is calculated as 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be

8. DEBT LIMITS, continued

at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (Schedule 2)	$ 5,035,198	$ 4,809,180
Accumulated amortization (Schedule 2)	(2,041,627)	(1,904,815)
Long-term debt (Note 5)	(132,363)	(141,357)
	$ 2,861,208	$ 2,763,008

10. ACCUMULATED SURPLUS

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

	2016	2015
Unrestricted surplus	$ 342,638	$ 280,626
Restricted surplus (Schedule 1)	81,771	81,771
Equity in tangible capital assets	2,861,208	2,763,008
	$ 3,285,617	$ 3,125,405

11. LOCAL AUTHORITIES PENSION PLAN

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

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

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

Total current service contributions by the Village to the LAPP in 2016 were $16,235 (2015 - $15,838). Total current service contributions by the employees of the Village to the LAPP in 2016 were $14,902 (2015 - $14,537).

12. CONTINGENCIES

The Village of Barons is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Village of Barons could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

13. FINANCIAL INSTRUMENTS

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

The village is subject to credit risk with respect to taxes and grants in place of taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimize the credit risk.

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

14. SEGMENTED DISCLOSURE

The Village of Barons provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

15. ROUNDING IN THE FINANCIAL STATEMENTS

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

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

MANAGEMENT REPORT

The accompanying consolidated financial statements and other information contained in this Financial Report as of December 31, 2016 are the responsibility of the management of the Village of Barons.

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

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

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

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

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

Mayor

April 18/17

Date