

TOWN OF CARDSTON
Financial Statements
For the Year Ended December 31, 2018



TOWN OF CARDSTON
Index to Financial Statements
Year Ended December 31, 2018

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Change in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Schedule of Changes in Accumulated Surplus <i>(Schedule 1)</i>	8
Schedule of Tangible Capital Assets <i>(Schedule 2)</i>	9
Schedule of Property and Other Taxes <i>(Schedule 3)</i>	10
Schedule of Government Transfers <i>(Schedule 4)</i>	11
Schedule of Consolidated Expenses by Object <i>(Schedule 5)</i>	12
Schedule of Segmented Disclosure <i>(Schedule 6)</i>	13
Notes to Financial Statements	14 - 24





MERCER WILDE GROUP
An Association of
Chartered Accountants

1210 36 St. North, Lethbridge, AB T1H 5H8 • Ph: 403-327-6100 Fax: 403-320-2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

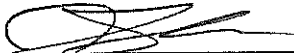
The consolidated financial statements are the responsibility of the management of the Town of Cardston.

These consolidated financial statements have been prepared from information provided by management. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The Town 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 Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Cardston is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Council and meets periodically with management and the external auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the elected Council prior to its approval of the financial statements. The Committee also considers, subject to Council approval, the appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by D. Wilde Professional Corporation, Chartered Professional Accountants, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. D. Wilde Professional Corporation has full and free access to the Council.



Mr. Jeff Shaw, CAO

Cardston, Alberta



MERCER WILDE GROUP
An Association of
Chartered Accountants

1210 36 St. North, Lethbridge, AB T1H 5H8 • Ph: 403-327-6100 Fax: 403-320-2026

INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Cardston

Opinion

We have audited the financial statements of Town of Cardston (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 10, 2018.

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

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

(continues)

Independent Auditor's Report to the Members of Town of Cardston *(continued)*

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

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.



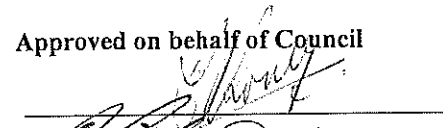
Lethbridge, Alberta
March 26, 2019

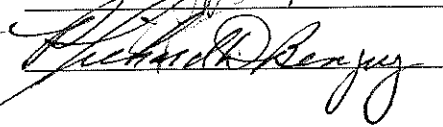
Chartered Accountants

TOWN OF CARDSTON
Consolidated Statement of Financial Position
December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,814,795	\$ 319,283
Taxes and grants in places of taxes <i>(Note 3)</i>	101,452	94,799
Trade and other receivable <i>(Note 3)</i>	1,194,065	1,503,157
Land held for resale	423,767	423,767
Investments <i>(Note 4)</i>	2,692,015	3,437,362
	<u>6,226,094</u>	<u>5,778,368</u>
LIABILITIES		
Accounts payable and accrued liabilities	399,101	581,259
Employee benefit obligation <i>(Note 5)</i>	127,458	129,231
Deferred revenue <i>(Note 6)</i>	1,270,665	856,524
Long term debt <i>(Note 8)</i>	668,736	838,599
	<u>2,465,960</u>	<u>2,405,613</u>
NET FINANCIAL ASSETS	<u>3,760,134</u>	<u>3,372,755</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	-	1,931
Inventory for consumption	666,671	604,984
Tangible capital assets <i>(Schedule 2)</i>	46,572,113	46,355,616
	<u>47,238,784</u>	<u>46,962,531</u>
ACCUMULATED SURPLUS <i>(Schedule 1 and Note 11)</i>	<u>\$ 50,998,918</u>	<u>\$ 50,335,286</u>

Approved on behalf of Council


 _____ Councilor


 _____ Councilor



TOWN OF CARDSTON
Consolidated Statement of Operations
Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE			
User fees and sales of goods	\$ 5,279,488	\$ 5,780,188	\$ 5,243,324
Net municipal taxes (<i>Schedule 3</i>)	2,565,303	2,566,307	2,501,243
Government transfers for operating (<i>Schedule 4</i>)	2,385,554	626,973	698,899
Franchise and concession contracts	126,400	120,066	132,434
Investment income	50,000	71,150	109,459
Licenses and permits	41,200	42,521	43,368
Penalties and costs of taxes	25,000	28,360	29,365
Donations	1,200	500	1,050
	<u>10,474,145</u>	<u>9,236,065</u>	<u>8,759,142</u>
EXPENSES			
Legislative	136,700	113,145	122,637
Administration	1,118,826	929,504	873,085
Bylaw enforcement	120,700	127,455	119,660
Fire services	205,900	187,585	129,744
Emergency measures and disaster service	1,636,278	449	137,517
Ambulance services and first aid	4,600	4,581	4,581
Public Works	1,542,700	1,591,041	1,483,310
Airport	17,700	18,642	9,824
Wastewater treatment and disposal	1,005,227	836,027	786,977
Water supply and distribution	1,001,700	1,052,829	1,027,807
Waste management	371,950	333,905	322,091
Family and community support services	268,318	280,450	301,484
Other public health and welfare	500	500	500
Parks and recreation	1,925,800	1,768,888	1,380,776
Cemeteries and crematoriums	66,800	45,997	50,901
Land use planning and development	175,200	162,476	158,439
Economic and agricultural development	263,612	216,793	208,198
Culture - libraries, museums, halls	310,531	309,299	302,540
Electrical distribution	1,639,275	1,597,551	1,611,803
	<u>11,812,317</u>	<u>9,577,117</u>	<u>9,031,874</u>
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER	<u>(1,338,172)</u>	<u>(341,052)</u>	<u>(272,732)</u>
OTHER			
Government transfers for capital (<i>Schedule 4</i>)	1,043,554	1,086,266	1,173,844
Contributed assets	10,000	-	123,500
Gain (loss) on disposal of tangible capital assets	-	(81,582)	28,587
	<u>1,053,554</u>	<u>1,004,684</u>	<u>1,325,931</u>
EXCESS OF REVENUE OVER EXPENSES	<u>(284,618)</u>	<u>663,632</u>	<u>1,053,199</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>50,335,286</u>	<u>50,335,286</u>	<u>49,282,087</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 50,050,668</u>	<u>\$ 50,998,918</u>	<u>\$ 50,335,286</u>



TOWN OF CARDSTON
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS OF REVENUE OVER EXPENSES	\$ (284,618)	\$ 663,632	\$ 1,053,199
Acquisition of tangible capital assets	(2,229,000)	(2,638,434)	(2,766,328)
Amortization of tangible capital assets	2,052,400	2,210,804	2,119,791
Proceeds on disposal of tangible capital assets	-	129,550	60,381
Loss (gain) on disposal of assets	-	81,582	(28,587)
	<u>(176,600)</u>	<u>(216,498)</u>	<u>(614,743)</u>
Use of prepaid expenses	-	1,931	4,271
Decrease (increase) in inventory for consumption	-	(61,686)	(118,824)
	<u>-</u>	<u>(59,755)</u>	<u>(114,553)</u>
	<u>(176,600)</u>	<u>(276,253)</u>	<u>(729,296)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(461,218)	387,379	323,903
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,372,755	3,372,755	3,048,852
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 2,911,537</u>	<u>\$ 3,760,134</u>	<u>\$ 3,372,755</u>



TOWN OF CARDSTON
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING		
Excess of revenues over expenses	\$ 663,632	\$ 1,053,199
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	2,210,804	2,119,791
Loss (gain) on disposal of tangible capital assets	81,582	(28,587)
	<u>2,956,018</u>	<u>3,144,403</u>
Changes in non-cash working capital:		
Taxes and grants in places of taxes	(6,653)	4,601
Trade and other receivable	309,092	(293,007)
Inventory for consumption	(61,686)	(118,824)
Prepaid expenses	1,931	4,271
Accounts payable and accrued liabilities	(182,158)	105,508
Employee benefit obligation	(1,773)	11,952
Deferred revenue	414,141	(441,973)
	<u>472,894</u>	<u>(727,472)</u>
	<u>3,428,912</u>	<u>2,416,931</u>
CAPITAL		
Acquisition of tangible capital assets	(2,638,434)	(2,766,328)
Proceeds on disposal of tangible capital assets	129,550	60,381
	<u>(2,508,884)</u>	<u>(2,705,947)</u>
INVESTING		
Purchase of investments	(1,176,000)	(1,454,296)
Proceeds on sale of investments	1,921,347	1,076,761
Payment on notes receivable	-	273,649
	<u>745,347</u>	<u>(103,886)</u>
FINANCING		
Long-term debt issued	-	177,623
Repayment of long term debt	(169,863)	(155,988)
	<u>(169,863)</u>	<u>21,635</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	<u>1,495,512</u>	<u>(371,267)</u>
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>319,283</u>	<u>690,550</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)	<u>\$ 1,814,795</u>	<u>\$ 319,283</u>





TOWN OF CARDSTON

Schedule of Changes in Accumulated Surplus

Year Ended December 31, 2018

(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF THE YEAR	\$ 1,132,286	\$ 3,685,983	\$ 45,517,017	\$ 50,335,286	\$ 49,282,087
Excess of revenues over expenses	663,632	-	-	663,632	1,053,199
Unrestricted funds designated for future use	(1,032,248)	1,032,248	-	-	-
Restricted funds used for operations	234,227	(234,227)	-	-	-
Restricted funds used for tangible capital assets	-	(550,326)	550,326	-	-
Annual amortization expense	2,210,804	-	(2,210,804)	-	-
Current year funds used for tangible capital assets	(2,088,108)	-	2,088,108	-	-
Long term debt repaid	(169,863)	-	169,863	-	-
Disposal of tangible capital assets	211,133	-	(211,133)	-	-
Change in accumulated surplus	29,577	247,695	386,360	663,632	1,053,199
BALANCE, END OF THE YEAR	\$ 1,161,863	\$ 3,933,678	\$ 45,903,377	\$ 50,998,918	\$ 50,335,286



TOWN OF CARDSTON
 Schedule of Tangible Capital Assets
 Year Ended December 31, 2018

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
COST								
BALANCE, BEGINNING OF THE YEAR	\$ 2,002,986	\$ 2,643,726	\$ 9,627,243	\$ 68,741,839	\$ 4,348,319	\$ 1,212,394	\$ 88,576,507	\$ 86,052,856
Acquisition of tangible capital assets	1,500	86,977	691,848	1,282,559	492,069	42,370	2,597,323	2,523,651
Construction-in-progress	-	41,111	-	-	-	-	41,111	-
Disposal of tangible capital assets	-	-	-	(319,841)	(204,416)	-	(524,257)	-
BALANCE, END OF YEAR	2,004,486	2,771,814	10,319,091	69,704,557	4,635,972	1,254,764	90,690,684	88,576,507
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF THE YEAR	-	(1,272,124)	(3,611,064)	(34,945,305)	(1,620,772)	(771,626)	(42,220,891)	(40,311,983)
Annual amortization	-	(123,131)	(209,144)	(1,479,891)	(307,413)	(91,225)	(2,210,804)	(1,908,908)
Accumulated amortization on disposals	-	-	-	229,756	83,368	-	313,124	-
BALANCE, END OF YEAR	-	(1,395,255)	(3,820,208)	(36,195,440)	(1,844,817)	(862,851)	(44,118,571)	(42,220,891)
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,004,486	\$ 1,376,559	\$ 6,498,883	\$ 33,509,117	\$ 2,791,155	\$ 391,913	\$ 46,572,113	\$ 46,355,616
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,002,986	\$ 1,371,602	\$ 6,021,879	\$ 33,790,834	\$ 2,727,547	\$ 440,768	\$ 46,355,616	\$ -

TOWN OF CARDSTON
Schedule of Property and Other Taxes
Year Ended December 31, 2018

(Schedule 3)

	Budget (Unaudited)	2018	2017
TAXATION			
Real property taxes	\$ 3,477,222	\$ 3,479,896	\$ 3,395,476
Government grants in place of property taxes	30,909	29,239	26,585
	<u>3,508,131</u>	<u>3,509,135</u>	<u>3,422,061</u>
REQUISITIONS			
Alberta School Foundation Fund	(875,654)	(875,654)	(854,901)
Chinook Foundation	(67,174)	(67,174)	(65,917)
	<u>(942,828)</u>	<u>(942,828)</u>	<u>(920,818)</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 2,565,303</u>	<u>\$ 2,566,307</u>	<u>\$ 2,501,243</u>



TOWN OF CARDSTON
Schedule of Government Transfers
Year Ended December 31, 2018

(Schedule 4)

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial Government	\$ 2,329,754	\$ 576,273	\$ 634,799
Other Local Governments	55,800	50,700	64,100
	<u>2,385,554</u>	<u>626,973</u>	<u>698,899</u>
TRANSFERS FOR CAPITAL			
Provincial Government	656,000	712,132	785,756
Federal Government	210,000	187,430	195,892
Other Local Governments	177,554	186,704	192,196
	<u>1,043,554</u>	<u>1,086,266</u>	<u>1,173,844</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 3,429,108</u>	<u>\$ 1,713,239</u>	<u>\$ 1,872,743</u>



TOWN OF CARDSTON

Schedule of Consolidated Expenses by Object
 Year Ended December 31, 2018

(Schedule 5)

	Budget (Unaudited)	2018	2017
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 2,979,856	\$ 2,779,058	\$ 2,546,290
Contracted and general services	4,085,046	2,252,554	2,267,065
Amortization of tangible capital assets	2,052,400	2,210,804	2,119,791
Materials, goods and utilities	2,393,044	2,032,182	1,816,060
Transfers to local boards and agencies	222,868	213,241	222,178
Other expenses	53,176	50,206	31,083
Bank charges and short-term interest	8,000	21,324	8,037
Interest on long-term debt	17,927	17,748	21,370
	<u>\$ 11,812,317</u>	<u>\$ 9,577,117</u>	<u>\$ 9,031,874</u>





TOWN OF CARDSTON
Schedule of Segmented Disclosure
Year Ended December 31, 2018

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning and development	Recreation and culture	Electrical	2018
REVENUE									
Net municipal taxes	\$ 2,566,307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,566,307
User fees and sales of goods	20,687	58,109	58,324	2,624,697	25,066	2,818	768,649	2,221,838	5,780,188
Government transfers	317,625	15,685	502,047	292,100	252,912	-	332,870	-	1,713,239
Investment income	71,150	-	-	-	-	-	-	-	71,150
Franchise and concession contracts	120,066	-	-	-	-	-	-	-	120,066
Other revenues	70,881	500	-	-	-	-	-	-	71,381
	3,166,716	74,294	560,371	2,916,797	277,978	2,818	1,101,519	2,221,838	10,322,331
EXPENSES									
Salaries, wages and benefits	717,922	94,127	388,129	365,791	50,057	195,004	716,735	251,293	2,779,058
Contracted and general services	178,937	155,781	97,828	286,131	41,595	100,855	267,706	1,123,721	2,452,554
Materials, goods, supplies and utilities	64,498	44,413	453,124	668,265	8,414	93,377	644,810	55,281	2,032,182
Transfers to local board and agencies	-	-	-	-	180,384	32,857	-	-	213,241
Other expenses	45,533	1,000	-	-	500	3,173	-	-	50,206
Bank charges and short-term interest	14,016	-	-	-	-	-	7,308	-	21,324
Interest on long-term debt	3,582	-	-	14,166	-	-	-	-	17,748
	1,024,488	295,321	939,081	1,334,353	280,950	425,266	1,636,559	1,430,295	7,366,313
NET REVENUE BEFORE AMORTIZATION									
Amortization expense	18,160	24,750	670,602	888,408	-	-	441,628	167,256	2,410,804
Loss on disposal of tangible capital assets	81,582	-	-	-	-	-	-	-	81,582
	\$ 2,042,486	\$ (245,777)	\$ (1,049,312)	\$ 694,036	\$ (2,972)	\$ (422,448)	\$ (976,668)	\$ 624,287	\$ 663,632

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Cardston are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

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 Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

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.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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.

(continues)

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Requisition Over-levy and Under-levy

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.

Inventories for Resale

Land 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 physical assets under the respective function.

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.

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.

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.

(continues)



TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, provides the consolidated Change in Net Financial Assets (Debt) 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 assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>Years</u>
Land improvements	10 - 30
Buildings	25 - 50
Engineered structures	5 - 80
Machinery and equipment	5 - 40
Vehicles	10 - 40

Amortization is recorded in the month that the asset is purchased and is prorated in the first and last year, based on the number of months used. 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 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.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.



TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

2. CASH AND TEMPORARY INVESTMENTS

	<u>2018</u>	<u>2017</u>
Cash	\$ 1,575,451	\$ (43,594)
Temporary investments	<u>239,344</u>	<u>362,877</u>
	<u>\$ 1,814,795</u>	<u>\$ 319,283</u>

Temporary investments are short-term deposits with original maturities of a year or less and consists of GIC with an interest rate of 2.20%. The investment matures in 2019.

The Town has available a \$500,000 overdraft facility with 1st Choice Savings and Credit Union which bears interest at 3.95% per annum when in use. The overdraft is issued on the credit and security of the Town of Cardston at large.

Included in cash and temporary investments is a restricted amount of \$604,112 (2017 - \$237,712) received from the Municipal Sustainability Initiative, Alberta Community Partnership, Federal Gas Tax Fund, and Family and Community Support Services which are held exclusively for approved projects (Note 6).

3. RECEIVABLES

	<u>2018</u>	<u>2017</u>
Property taxes		
Taxes and grants in place of taxes receivables	\$ 75,031	\$ 60,676
Arrears	<u>26,421</u>	<u>34,123</u>
	<u>101,452</u>	<u>94,799</u>
Trade and other receivables		
Electrical and billed services	588,818	382,994
Grants	480,955	872,389
Miscellaneous	53,474	61,573
Goods and Services Tax (GST)	42,844	62,613
Accrued interest	<u>27,974</u>	<u>123,588</u>
	<u>1,194,065</u>	<u>1,503,157</u>



TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

4. INVESTMENTS

	2018 Cost	2018 Market Value	2017 Cost	2017 Market value
Short-term notes and deposits	\$ 1,176,000	\$ 1,145,099	\$ 1,537,852	\$ 1,540,555
Principal protected notes	561,000	564,712	561,000	589,139
Long-term notes and deposits	951,353	928,863	1,334,848	1,336,565
UFA Equity	3,657	3,657	3,657	3,657
MUNIX (Note 15)	5	5	5	5
	<u>\$ 2,692,015</u>	<u>\$ 2,642,336</u>	<u>\$ 3,437,362</u>	<u>\$ 3,469,921</u>

Short-term notes and deposits have an effective interest rate of 2.90% (2017 - 2.10% to 3.70%) and mature in less than one year. Long-term notes and deposits have effective interest rates of 3.22% to 6.63% (2017 - 2.35% to 3.83%) and mature in periods between 2021 and 2026. Principal protected notes have guaranteed principal repayments and are cashable on demand, without penalty. Accrued interest on these principal protected notes is not realized until maturity and is based on the performance of the TSX index.

5. EMPLOYEE BENEFIT OBLIGATION

The employee benefit obligation is comprised of accrued vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

6. DEFERRED REVENUE

	2018	2017
Prepaid taxes	\$ 634,179	\$ 618,812
Municipal Sustainability Initiative - Capital	470,056	226,607
Alberta Community Partnership	87,429	-
Federal Gas Tax Fund	38,455	-
Deposit received	29,155	-
Family and Community Support Services	8,172	11,105
Prepaid golf memberships	3,219	-
	<u>\$ 1,270,665</u>	<u>\$ 856,524</u>

7. CONTAMINATED SITES LIABILITY

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



TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

8. LONG TERM DEBT

	2018	2017
Wastewater Outfall Line Debenture - Capital	\$ 501,371	\$ 660,976
Enmax Solar Panel Loans	167,365	177,623
	<u>\$ 668,736</u>	<u>\$ 838,599</u>

The current portion of long-term debt amounts to \$173,771 (2017 - \$169,862)

Principal repayment terms are approximately:

	Principal	Interest	Total
2019	\$ 173,771	\$ 13,877	\$ 187,648
2020	177,770	9,878	187,648
2021	181,861	5,787	187,648
2022	11,111	2,605	13,716
2023	11,335	2,381	13,716
Thereafter	112,888	10,560	123,448
	<u>\$ 668,736</u>	<u>\$ 45,088</u>	<u>\$ 713,824</u>

Debenture debt is repayable to the Alberta Capital Finance Authority which bears interest at 2.31% per annum and matures in 2021. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town at large.

The loans from Enmax for the purchase of solar panels mature in 2032 with annual payments of \$14,400 (including GST) at 2.00% interest per annum.

Interest on long-term debt amounted to \$17,748 (2017 - \$21,370).

The Town's total cash payments for interest in 2018 were \$17,241 (2017 - \$20,702)



TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

9. 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 Town be disclosed as follows:

	<u>2018</u>	<u>2017</u>
Total debt limit	\$ 13,897,991	\$ 13,138,713
Total debt	(668,736)	(838,599)
Amount of debt limit unused	<u>13,229,255</u>	<u>12,300,114</u>
Debt servicing limit	2,316,332	2,189,786
Debt servicing	(187,648)	(175,533)
Amount of debt servicing limit unused	<u>2,128,684</u>	<u>2,014,253</u>

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 financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Tangible capital assets (Schedule 2)	\$ 90,690,684	\$ 88,576,507
Accumulated amortization (Schedule 2)	(44,118,571)	(42,220,891)
Long-term debt (Note 8)	(668,736)	(838,599)
	<u>\$ 45,903,377</u>	<u>\$ 45,517,017</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

11. 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	\$ 1,161,863	\$ 1,132,286
Restricted surplus		
General government	1,377,370	1,044,877
Protective and emergency services	160,637	161,294
Public works and transportation	259,113	368,113
Environmental services: water	96,460	91,252
Environmental services: wastewater	15,000	-
Environmental services: garbage	67,370	62,370
Public health services	174,154	161,154
Planning and development	541,166	519,981
Parks, recreation and culture	604,117	709,298
Electrical	638,291	567,644
Equity in tangible capital assets	<u>45,903,377</u>	<u>45,517,017</u>
	<u>\$ 50,998,918</u>	<u>\$ 50,335,286</u>

12. BUDGET AMOUNTS

The 2018 budget for the Town was approved by Council on May 8, 2018 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital expenses, loan proceeds and principal payments on debt. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

	<u>Budget</u>	<u>Actual</u>
Surplus per financial statements	\$ (284,618)	\$ 663,632
Less: Capital expenses, net	(2,229,000)	(2,638,434)
Principal payments on debt	(159,605)	(169,863)
Transfer to reserves	(313,063)	(1,032,248)
Contributed assets	(10,000)	-
Add: Amortization	2,052,400	2,210,804
Transfers from reserves	<u>943,886</u>	<u>784,553</u>
Equals approved budget	<u>\$ -</u>	<u>\$ (181,556)</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

13. SEGMENTED DISCLOSURE

The Town of Cardston 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.

Refer to the Schedule of Segmented Disclosure (schedule 6).

14. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative office and designated offices as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allowances (2)	2018	2017
Mayor Kronen	\$ 17,629	\$ 391	\$ 18,020	\$ 17,925
Councilor Barfuss	-	-	-	8,368
Councilor Barnes	14,331	-	14,331	12,039
Councilor Bengry	12,369	235	12,604	11,820
Councilor Brown	13,507	273	13,780	3,157
Councilor Court	11,041	191	11,232	3,157
Councilor Creed	-	-	-	9,090
Councilor Drew	10,954	188	11,142	2,955
Councilor Edmonds	-	-	-	9,647
Councilor Peavoy	-	-	-	8,319
Councilor Selk	13,619	276	13,895	3,157
Chief Administrative Officer	115,995	30,438	146,433	127,476
Designated officers (3 positions)	178,927	32,963	211,890	212,536

(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 and dismemberment insurance, long and short-term disability plans, professional memberships and tuition, if any.

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



TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the 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 Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$174,925 (2017 - \$189,961). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2018 were \$159,567 (2017 - \$174,559).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4.84 billion.

16. COMMITMENTS AND CONTINGENCIES

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

Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2018 the amount of accumulated sick leave was \$596,922 (2017 - \$586,743). The total amount was not recorded in the financial statements as there is no certainty the full amount will be used. The amount of accumulated sick leave is not paid out to employees of the Town when they leave their position.

The Town has an ongoing agreement for electricity, recycling, and solid waste collection services, which were renewed in 2016 for five years.

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, land for resale inventory, accounts payable and accrued liabilities, municipal line of credit, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables 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 minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2018

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year earnings.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

