

TOWN OF CARDSTON
Financial Statements
Year Ended December 31, 2019

TOWN OF CARDSTON
Index to Financial Statements
Year Ended December 31, 2019

	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 Changes 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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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 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 Shawn Cook 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. Shawn Cook Professional Corporation has full and free access to the Council.



Mr. Jeff Shaw, CAO

Cardston, Alberta



INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Cardston

Opinion

We have audited the financial statements of Town of Cardston (the Town), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, changes in net financial assets (debt) 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 Town as at December 31, 2019, and the results of its operations, change in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

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 Town in accordance with 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, 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 Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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:

(continues)

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

- 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 Town'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 Town'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 Town 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
April 14, 2020

Shawn Cook
Professional Corporation


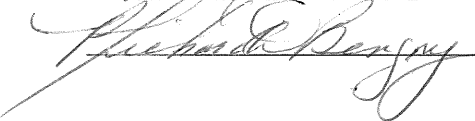
Chartered Professional Accountants



TOWN OF CARDSTON
Consolidated Statement of Financial Position
December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,768,761	\$ 1,814,795
Taxes and grants in places of taxes <i>(Note 3)</i>	107,245	101,452
Trade and other receivable <i>(Note 3)</i>	1,328,706	1,194,065
Land held for resale	459,489	423,767
Investments <i>(Note 4)</i>	2,912,518	2,692,015
	<u>6,576,719</u>	<u>6,226,094</u>
LIABILITIES		
Accounts payable and accrued liabilities	339,728	399,101
Employee benefit obligation <i>(Note 5)</i>	130,596	127,458
Deferred revenue <i>(Note 6)</i>	882,751	1,270,665
Long term debt <i>(Note 8)</i>	494,965	668,736
	<u>1,848,040</u>	<u>2,465,960</u>
NET FINANCIAL ASSETS	<u>4,728,679</u>	<u>3,760,134</u>
NON-FINANCIAL ASSETS		
Inventory for consumption	586,504	666,671
Tangible capital assets <i>(Schedule 2)</i>	48,302,068	46,572,113
	<u>48,888,572</u>	<u>47,238,784</u>
ACCUMULATED SURPLUS <i>(Schedule 1 and Note 11)</i>	<u>\$ 53,617,251</u>	<u>\$ 50,998,918</u>

Approved on behalf of Council:

 Councilor
 Councilor

TOWN OF CARDSTON
Consolidated Statement of Operations
Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
REVENUE			
User fees and sales of goods	\$ 5,898,028	\$ 6,072,640	\$ 5,862,529
Net municipal taxes <i>(Schedule 3)</i>	2,649,235	2,644,580	2,590,581
Government transfers for operating <i>(Schedule 4)</i>	736,518	733,382	626,973
Investment income	50,000	167,453	71,150
Franchise and concession contracts	122,300	129,871	120,066
Licenses and permits	41,200	39,458	42,521
Penalties and costs of taxes	25,000	29,268	28,360
Donations	1,200	-	500
	<u>9,523,481</u>	<u>9,816,652</u>	<u>9,342,680</u>
EXPENSES			
Legislative	147,700	138,401	113,145
Administration	1,084,408	1,006,011	953,778
Bylaw enforcement	141,650	132,579	127,455
Fire services	163,200	274,043	187,585
Emergency measures and disaster service	-	63,166	449
Ambulance services and first aid	4,600	4,581	4,581
Public Works	1,504,350	1,456,380	1,591,041
Airport	16,700	19,827	18,642
Wastewater treatment and disposal	1,214,233	837,932	836,027
Water supply and distribution	1,026,600	1,025,464	1,052,829
Waste management	333,950	305,700	313,994
Family and community support services	285,956	253,218	280,450
Other public health and welfare	500	500	500
Parks and recreation	1,956,347	1,893,180	1,768,888
Cemeteries and crematoriums	57,000	57,479	45,997
Land use planning and development	220,850	192,470	182,387
Economic and agricultural development	228,450	187,792	216,793
Culture - libraries, museums, halls	335,900	318,908	309,299
Electrical distribution	1,774,500	1,958,747	1,679,892
	<u>10,496,894</u>	<u>10,126,378</u>	<u>9,683,732</u>
DEFICIENCY OF REVENUE OVER EXPENSES BEFORE OTHER	<u>(973,413)</u>	<u>(309,726)</u>	<u>(341,052)</u>
OTHER			
Government transfers for capital <i>(Schedule 4)</i>	1,132,000	1,044,079	1,086,266
Contributed assets	42,500	1,912,895	-
Gain (loss) on disposal of tangible capital assets	84,000	(28,915)	(81,582)
	<u>1,258,500</u>	<u>2,928,059</u>	<u>1,004,684</u>
EXCESS OF REVENUE OVER EXPENSES	<u>285,087</u>	<u>2,618,333</u>	<u>663,632</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>50,998,918</u>	<u>50,998,918</u>	<u>50,335,286</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 51,284,005</u>	<u>\$ 53,617,251</u>	<u>\$ 50,998,918</u>

TOWN OF CARDSTON
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS OF REVENUE OVER EXPENSES	\$ 285,087	\$ 2,618,333	\$ 663,632
Amortization of tangible capital assets	2,072,800	2,263,847	2,210,804
Acquisition of tangible capital assets	(2,288,500)	(2,151,872)	(2,638,434)
Acquisition of contributed assets	(42,500)	(1,912,895)	-
Proceeds on disposal of tangible capital assets	84,000	42,050	129,550
Loss on disposal of assets	-	28,915	81,582
	(174,200)	(1,729,955)	(216,498)
Use of prepaid expenses	-	-	1,931
Decrease (increase) in inventory for consumption	-	80,167	(61,686)
	-	80,167	(59,755)
	(174,200)	(1,649,788)	(276,253)
INCREASE IN NET FINANCIAL ASSETS	110,887	968,545	387,379
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,760,134	3,760,134	3,372,755
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,871,021	\$ 4,728,679	\$ 3,760,134

TOWN OF CARDSTON
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
OPERATING		
Excess of revenues over expenses	\$ 2,618,333	\$ 663,632
Non-cash items included in excess of revenues over expenses		
Amortization	2,263,847	2,210,804
Loss on disposal of tangible capital assets	28,915	81,582
Contributed assets	(1,912,895)	-
	<u>2,998,200</u>	<u>2,956,018</u>
Changes in non-cash working capital:		
Trade and other receivable	(134,641)	309,091
Taxes and grants in places of taxes	(5,793)	(6,653)
Inventory for consumption	80,167	(61,686)
Accounts payable and accrued liabilities	(59,373)	(182,157)
Deferred revenue	(387,914)	414,141
Prepaid expenses	-	1,931
Land held for resale	(35,722)	-
Employee benefit obligation	3,138	(1,773)
	<u>(540,138)</u>	<u>472,894</u>
	<u>2,458,062</u>	<u>3,428,912</u>
CAPITAL		
Purchase of tangible capital assets	(2,151,872)	(2,638,434)
Proceeds on disposal of tangible capital assets	42,050	129,550
	<u>(2,109,822)</u>	<u>(2,508,884)</u>
INVESTING		
Purchase of investments	(220,503)	(1,176,000)
Proceeds on sale of investments	-	1,921,347
	<u>(220,503)</u>	<u>745,347</u>
FINANCING		
Repayment of long-term debt	(173,771)	(169,863)
	<u>(173,771)</u>	<u>(169,863)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	<u>(46,034)</u>	<u>1,495,512</u>
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>1,814,795</u>	<u>319,283</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)	<u>\$ 1,768,761</u>	<u>\$ 1,814,795</u>

TOWN OF CARDSTON

Schedule of Changes in Accumulated Surplus

Year Ended December 31, 2019

(Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF THE YEAR	\$ 1,161,863	\$ 3,933,678	\$ 45,903,377	\$ 50,998,918	\$ 50,335,286
Excess of revenues over expenses	2,618,333	-	-	2,618,333	663,632
Unrestricted funds designated for future use	(1,273,227)	1,273,227	-	-	-
Restricted funds used for operations	268,571	(268,571)	-	-	-
Restricted funds used for tangible capital assets	-	(291,086)	291,086	-	-
Current year funds used for tangible capital assets	(1,860,786)	-	1,860,786	-	-
Contributed tangible capital assets	(1,912,895)	-	1,912,895	-	-
Annual amortization expense	2,263,847	-	(2,263,847)	-	-
Long-term debt repaid	(173,771)	-	173,771	-	-
Disposal of tangible capital assets	70,965	-	(70,965)	-	-
Change in accumulated surplus	1,057	713,570	1,903,726	53,617,251	50,998,918
BALANCE, END OF THE YEAR	\$ 1,162,900	\$ 4,647,248	\$ 47,807,103	\$ 53,617,251	\$ 50,998,918

TOWN OF CARDSTON

**Schedule of Tangible Capital Assets
Year Ended December 31, 2019**

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
COST								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	-	132,335	109,059	3,184,579	500,291	76,904	4,003,168	2,597,323
Construction in-progress	-	46,005	15,594	-	-	-	61,599	41,111
Disposal of tangible capital assets	-	-	-	(349,991)	(100,480)	(27,930)	(478,401)	(524,257)
BALANCE, END OF YEAR	2,004,486	2,950,154	10,443,744	72,539,145	5,035,783	1,303,738	94,277,050	90,690,684
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	1,395,255	3,820,208	36,195,440	1,844,817	862,851	44,118,571	42,220,891
Annual amortization	-	128,600	223,606	1,489,398	331,274	90,969	2,263,847	2,210,804
Accumulated amortization on disposals	-	-	-	(334,014)	(48,945)	(24,477)	(407,436)	(313,124)
BALANCE, END OF YEAR	-	1,523,855	4,043,814	37,350,824	2,127,146	929,343	45,974,982	44,118,571
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,004,486	\$ 1,426,299	\$ 6,399,930	\$ 35,188,321	\$ 2,908,637	\$ 374,395	\$ 48,302,068	\$ 46,572,113
2018 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	

TOWN OF CARDSTON
Schedule of Property and Other Taxes
Year Ended December 31, 2019

(Schedule 3)

	Budget (Unaudited)	2019	2018
TAXATION			
Real property taxes	\$ 3,580,751	\$ 3,582,712	\$ 3,504,329
Government grants in place of property taxes	32,322	29,338	29,239
	<u>3,613,073</u>	<u>3,612,050</u>	<u>3,533,568</u>
REQUISITIONS			
Alberta School Foundation Fund	893,200	896,832	875,654
Chinook Foundation	70,265	70,265	67,174
Designated industrial property	373	373	159
	<u>963,838</u>	<u>967,470</u>	<u>942,987</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 2,649,235</u>	<u>\$ 2,644,580</u>	<u>\$ 2,590,581</u>

TOWN OF CARDSTON
Schedule of Government Transfers
Year Ended December 31, 2019

(Schedule 4)

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial Government	\$ 675,418	\$ 680,047	\$ 576,273
Other Local Government	56,100	53,335	50,700
	<u>731,518</u>	<u>733,382</u>	<u>626,973</u>
TRANSFERS FOR CAPITAL			
Provincial Government	902,000	818,743	712,132
Federal Government	230,000	225,336	187,430
Other Local Government	-	-	186,704
	<u>1,132,000</u>	<u>1,044,079</u>	<u>1,086,266</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,863,518</u>	<u>\$ 1,777,461</u>	<u>\$ 1,713,239</u>

TOWN OF CARDSTON

**Schedule of Consolidated Expenses by Object
Year Ended December 31, 2019**

(Schedule 5)

	Budget (Unaudited)	2019	2018
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,050,200	\$ 2,957,407	\$ 2,733,351
Contracted and general services	3,161,968	2,924,224	2,792,491
Materials, goods and utilities	1,925,697	1,706,800	1,623,874
Transfers to local boards and agencies	222,467	205,261	237,516
Other expenses	45,036	41,669	50,206
Bank charges and short-term interest	8,100	16,710	21,324
Interest on long-term debt	10,626	10,460	14,166
Amortization of tangible capital assets	2,072,800	2,263,847	2,210,804
Loss on disposal of tangible capital assets	84,000	28,915	81,582
	<u>\$ 10,580,894</u>	<u>\$ 10,155,293</u>	<u>\$ 9,765,314</u>

TOWN OF CARDSTON
Schedule of Segmented Disclosure
Year Ended December 31, 2019

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning and development	Recreation and culture	Electrical	Total
REVENUE									
User fees and sales of goods	\$ 18,373	\$ 63,869	\$ 86,737	\$ 2,561,043	\$ 42,976	\$ -	\$ 753,888	\$ 2,545,754	\$ 6,072,640
Net municipal taxes	2,644,580	-	-	-	-	-	-	-	2,644,580
Government transfers	376,259	63,166	765,605	232,468	253,218	-	86,745	-	1,777,461
Investment income	167,453	-	-	-	-	-	-	-	167,453
Franchise and concession contracts	129,871	-	-	-	-	-	-	-	129,871
Other revenues	68,726	-	-	-	-	-	-	-	68,726
Contributed assets	-	-	718,050	897,660	-	-	26,681	270,504	1,912,895
	3,405,262	127,035	1,570,392	3,691,171	296,194	-	867,314	2,816,258	12,773,626
EXPENSES									
Salaries, wages and benefits	731,301	99,912	384,639	376,515	68,647	191,108	824,320	280,965	2,957,407
Contracted and general services	243,974	327,333	149,364	443,382	84,843	82,628	285,183	1,307,517	2,924,224
Materials, goods, supplies and utilities	79,365	20,427	240,442	465,829	7,455	73,120	620,532	199,630	1,706,800
Transfers to local boards	25,509	-	-	-	149,752	30,000	-	-	205,261
Other expenses	36,763	1,000	-	-	500	3,406	-	-	41,669
Bank charges and short-term interest	9,648	-	-	-	-	-	7,062	-	16,710
Interest on long-term debt	-	-	-	10,460	-	-	-	-	10,460
	1,126,560	448,672	774,445	1,296,186	311,197	380,262	1,737,097	1,788,112	7,862,531
NET REVENUE BEFORE AMORTIZATION									
Loss on disposal of tangible capital assets	2,278,702	(321,637)	795,947	2,394,985	(15,003)	(380,262)	(869,783)	1,028,146	4,911,095
Amortization expenses	28,915	-	-	-	-	-	-	-	28,915
	17,852	25,697	701,762	872,910	-	-	474,991	170,635	2,263,847
	46,767	25,697	701,762	872,910	-	-	474,991	170,635	2,292,762
NET REVENUE	\$ 2,231,935	\$ (347,334)	\$ 94,185	\$ 1,522,075	\$ (15,003)	\$ (380,262)	\$ (1,344,774)	\$ 857,511	\$ 2,618,333

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Cardston (the Town) 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 Chartered Professional Accountants of Canada. 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.

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TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2019

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, 2019

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, 2019

2. CASH AND TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u>
Cash	\$ 872,986	\$ 1,575,451
Temporary investments	895,775	239,344
	<u>\$ 1,768,761</u>	<u>\$ 1,814,795</u>

Temporary investments are short-term deposits with original maturities of a year or less and consists of GIC's with interest rates ranging from 2.30% to 2.60% (2018 - \$2.30% to 2.60%). The investments mature in 2020.

The Municipality 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 Municipality at large. There is no overdraft at year end.

The Town has multiple demand lines of credit with 1st Choice Savings and Credit Union with a combined authorized limit of \$2.18 million which all bear interest at 3.95%, secured by a general agreement. There is nil balance on the lines of credit at year end.

Included in cash and temporary investments is a restricted amount of \$211,617 (2018 - \$604,112) received from various grant programs which are held exclusively for approved projects (Note 6).

3. RECEIVABLES

	<u>2019</u>	<u>2018</u>
Property taxes		
Taxes and grants in place of taxes receivables	\$ 81,581	\$ 75,031
Arrears	25,664	26,421
	<u>107,245</u>	<u>101,452</u>
Trade and other receivables		
Electrical and billed services	766,276	588,818
Grants	249,483	480,955
Miscellaneous	188,621	53,474
Accrued interest	104,565	27,974
Goods and Services Tax (GST)	19,761	42,844
	<u>1,328,706</u>	<u>1,194,065</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2019

4. INVESTMENTS

	2019 Cost	2019 Market value	2018 Cost	2018 Market value
Short-term notes and deposits	\$ 1,176,000	\$ 1,167,132	\$ 1,176,000	\$ 1,145,099
Principal protected notes	561,000	628,378	561,000	564,712
Long-term notes and deposits	1,171,678	1,184,530	951,353	928,863
UFA Equity	3,835	3,835	3,657	3,657
MUNIX (Note 15)	5	5	5	5
	<u>\$ 2,912,518</u>	<u>\$ 2,983,880</u>	<u>\$ 2,692,015</u>	<u>\$ 2,642,336</u>

Short-term notes and deposits have an effective interest rate of 2.99% (2018 - 2.90%) and mature in less than one year. Long-term notes and deposits have effective interest rates of 2.99% to 6.84% (2018 - 3.22% to 6.63%) 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

	2019	2018
Prepaid taxes	\$ 640,900	\$ 634,179
Municipal Sustainability Initiative - Capital	128,593	470,056
Alberta Community Partnership	47,190	87,429
Deposit received	30,234	32,374
Community Foundations	25,000	-
Family and Community Support Services	6,605	8,172
Alberta Historic Resources Foundation	2,910	-
Cardston Lions Club (CFEP)	1,319	-
Federal Gas Tax Fund	-	38,455
	<u>\$ 882,751</u>	<u>\$ 1,270,665</u>

7. CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2019 (2018 - nil) as a result of this standard.

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2019

8. LONG TERM DEBT

	2019	2018
Wastewater Outfall Line Debenture - Capital	\$ 338,064	\$ 501,371
Enmax Solar Panel Loans	156,901	167,365
	<u>\$ 494,965</u>	<u>\$ 668,736</u>

The current portion of long-term debt amounts to \$177,770 (2018 - \$173,771)

Principal repayment terms are approximately:

	Principal	Interest	Total
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
2024	11,564	2,152	13,716
Thereafter	101,324	8,406	109,730
	<u>\$ 494,965</u>	<u>\$ 31,209</u>	<u>\$ 526,174</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 \$13,712.(2018 - \$14,166).

The Municipality's total cash payments for interest in 2019 were \$13,370 (2018 - \$13,659)

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2019

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>2019</u>	<u>2018</u>
Total debt limit	\$ 14,724,978	\$ 14,014,020
Total debt	(494,965)	(668,736)
Amount of debt limit unused	<u>14,230,013</u>	<u>13,345,284</u>
Debt servicing limit	2,454,163	2,335,670
Debt servicing	(187,648)	(187,648)
Amount of debt servicing limit unused	<u>2,266,515</u>	<u>2,148,022</u>

The debt limit is calculated at 1.5 times revenue of the Town (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 Town. Rather, the financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets (Schedule 2)	\$ 94,277,050	\$ 90,690,684
Accumulated amortization (Schedule 2)	(45,974,982)	(44,118,571)
Long-term debt (Note 8)	(494,965)	(668,736)
	<u>\$ 47,807,103</u>	<u>\$ 45,903,377</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2019

11. ACCUMULATED SURPLUS

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 1,162,900	\$ 1,161,863
Restricted surplus		
General government	1,775,992	1,377,370
Protective and emergency services	101,136	160,637
Public works and transportation	356,335	259,113
Environmental services: water	118,460	96,460
Environmental services: wastewater	45,000	15,000
Environmental services: garbage	90,370	67,370
Public health services	195,554	174,154
Planning and development	505,166	541,166
Parks, recreation and culture	767,783	604,117
Electrical	691,452	638,291
Equity in tangible capital assets	<u>47,807,103</u>	<u>45,903,377</u>
	<u>\$ 53,617,251</u>	<u>\$ 50,998,918</u>

12. BUDGET AMOUNTS

The 2019 budget for the Town was approved by Council on May 14, 2019 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 additions 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>
Surplus per financial statements	\$ 285,087
Less: Capital expenses, net	(2,288,500)
Principal payments on debt	(163,307)
Transfer to reserves	(408,080)
Contributed assets	(42,500)
Add: Amortization	2,072,800
Transfers from reserves	<u>544,500</u>
Equals approved budget	<u>\$ -</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2019

13. SEGMENTED DISCLOSURE

The Town 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)	2019	2018
Mayor Kronen	\$ 21,325	\$ -	\$ 21,325	\$ 18,020
Councilor Barnes	15,333	-	15,333	14,331
Councilor Bengry	12,770	473	13,243	12,604
Councilor Brown	16,780	677	17,457	13,780
Councilor Court	13,578	514	14,092	11,232
Councilor Drew	12,590	464	13,054	11,142
Councilor Selk	18,084	744	18,828	13,895
Chief Administrative Officer	115,995	29,288	145,283	146,433
Designated officers (3 positions)	189,728	32,583	222,311	211,890

(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, 2019

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 9.39% (2018 - 10.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2018 - 14.84%) on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$166,705 (2018 - \$174,925). Total current service contributions by the employees of the Town to the LAPP in 2019 were \$150,579 (2018 - \$159,567).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion; the 2019 LAPP actuarial balance was not available at the date of this report.

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, 2019 the amount of accumulated sick leave was \$593,815 (2018 - \$596,922). 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, 2019

18. SUBSEQUENT EVENTS

Subsequent to year end, the Town has committed to acquire solar panels with a purchase price of \$3.83 million, with a government reimbursement of the initial fee of \$1.14 million. The remaining cost will be financed under a deferred payment arrangement with monthly payments of \$19,245, including interest at 3.50% for 15 years.

Since December 31, 2019 the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the organization.

19. 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.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.