

**TOWN OF CARDSTON**  
Consolidated Financial Statements  
For the Year Ended December 31, 2015

**Town of Cardston**  
**Table of Contents**  
**For the year ended December 31, 2015**

---

Independent Auditor's Report	1
Management Report	2
<b>Financial Statements</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	
Consolidated Statement of Change in Net Financial Assets	5
Consolidated Statement of Cash Flow	6
Schedules to the Consolidated Financial Statements	7 - 10
Notes to the Consolidated Financial Statements	21



# ALLEN ACCOUNTING

OPERATING THROUGH  
JOSHUA L. ALLEN PROFESSIONAL CORPORATION, CHARTERED ACCOUNTANT

B- 1119 3 Ave S.  
Lethbridge AB  
T1J 0J5

Tel: 403.942.3850  
Fax: 403.942.3860  
www.allenaccounting.ca

## Independent Auditor's Report

To the Members of Council of the Town of Cardston:

### Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Town of Cardston, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated 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

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Cardston as at December 31, 2015, the results of its operations, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Lethbridge, Alberta  
April 12, 2015

Chartered Accountant

## Management Report

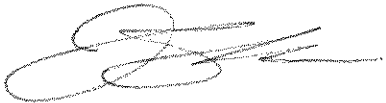
The consolidated financial statements are the responsibility of the management of the Town of Cardston.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates 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 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 fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Audit Committee. The Council meets annually with management and the external auditors 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. Council considers the engagement or reappointment of the external auditors; Council also reviews the monthly financial reports.

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



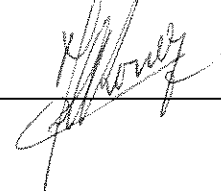
Chief Administrative Officer

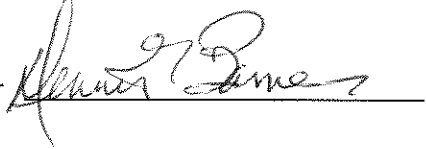
**Town of Cardston**  
**Consolidated Statement of Financial Position**  
**As at December 31, 2015**

	2015	2014
<b>Financial assets</b>		
Cash and temporary investments (Note 2)	\$ 1,825,891	\$ 742,981
Taxes and grants in places of taxes (Note 3)	106,455	111,044
Trade and other receivables (Note 4)	643,668	909,780
Land for resale inventory	390,290	390,290
Notes receivable (Note 5)	284,371	295,042
Investments (Note 6)	2,011,334	1,996,408
	<b>5,262,009</b>	<b>4,445,545</b>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	362,425	490,622
Employee benefit obligations (Note 7)	108,573	141,376
Deferred revenue (Note 8)	1,599,783	1,239,515
Long-term debt (Note 9)	969,415	1,118,411
Capital lease obligation (Note 10)	4,048	8,052
	<b>3,044,244</b>	<b>2,997,976</b>
<b>Net financial assets</b>	<b>2,217,765</b>	<b>1,447,569</b>
<b>Non-financial assets</b>		
Prepaid expenses	37,740	203,761
Inventory for consumption	545,461	492,548
Tangible capital assets (Schedule 2)	45,154,212	44,689,097
	<b>45,737,413</b>	<b>45,385,406</b>
<b>Accumulated surplus (Schedule 1)</b>	<b>\$ 47,955,178</b>	<b>\$ 46,832,975</b>

*Commitments and contingencies* (Note 20)

Approved on behalf of Council:

Councilor 

Councilor 

**Town of Cardston**  
**Consolidated Statement of Operations**  
**For the Year Ended December 31, 2015**

	Budget (Unaudited)	2015	2014
<b>Revenue</b>			
Net municipal taxes (Note 14)	\$ 2,508,238	\$ 2,510,874	\$ 2,494,666
User fees and sales of goods	4,533,732	4,934,363	4,879,303
Government transfers for operating (Note 15)	530,423	598,713	696,549
Investment income	80,000	87,328	87,452
Penalties and costs of taxes	25,000	30,860	25,111
Licenses and permits	43,100	49,047	38,575
Franchise and concession contracts	115,974	114,349	112,758
Donations	1,700	925	1,750
	<b>7,838,167</b>	<b>8,326,459</b>	<b>8,336,164</b>
<b>Expenses (Schedule 3)</b>			
Legislative	162,113	110,154	128,062
Administration	1,116,125	1,037,006	1,122,001
Fire	139,956	139,808	139,750
Emergency measures and disaster service	-	35,630	9,451
Ambulance services and first aid	4,673	4,581	4,581
Bylaw enforcement	107,059	89,355	86,582
Roads, streets, walks, lighting	1,288,985	1,283,701	1,248,747
Airport	17,221	15,171	14,224
Water supply and distribution	917,447	934,736	869,938
Wastewater treatment and disposal	895,170	876,959	851,261
Waste management	364,873	351,811	536,494
Family and community support services	255,155	247,607	223,896
Cemeteries and crematoriums	78,940	50,562	59,488
Other public health and welfare	500	500	500
Land use planning and development	273,904	207,863	199,872
Economic and agricultural development	198,590	176,577	228,281
Parks and recreation	1,251,758	1,167,965	1,122,377
Culture - libraries, museums, halls	269,354	268,391	255,132
Electrical distribution	1,542,029	1,458,666	1,455,981
	<b>8,883,852</b>	<b>8,457,043</b>	<b>8,556,618</b>
<b>Deficiency of revenue over expenses before other</b>	<b>(1,045,685)</b>	<b>(130,584)</b>	<b>(220,454)</b>
<b>Other</b>			
Government transfers for capital (Note 15)	1,340,944	1,217,563	804,801
Contributed assets	100,000	107,100	-
Gain (loss) on disposal of capital assets	-	(71,876)	780
	<b>1,440,944</b>	<b>1,252,787</b>	<b>805,581</b>
<b>Excess of revenue over expenses</b>	<b>395,259</b>	<b>1,122,203</b>	<b>585,127</b>
<b>Accumulated surplus, beginning of year</b>	<b>46,832,975</b>	<b>46,832,975</b>	<b>46,247,848</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 47,228,234</b>	<b>\$ 47,955,178</b>	<b>\$ 46,832,975</b>

**Town of Cardston**  
**Consolidated Statement of Change in Net Financial Assets**  
**For the Year Ended December 31, 2015**

	Budget (Unaudited)	2015	2014
<b>Excess of revenue over expenses</b>	\$ 395,259	<b>\$ 1,122,203</b>	\$ 585,127
Acquisition of tangible capital assets	(2,621,831)	<b>(2,505,041)</b>	(1,621,785)
Amortization	1,989,384	<b>1,939,790</b>	1,887,437
Loss on disposal of tangible capital assets	-	<b>71,876</b>	-
Gain on disposal of tangible capital assets	-	-	(780)
Proceeds on disposal of tangible capital assets	-	<b>28,259</b>	15,571
	(632,447)	<b>(465,116)</b>	280,443
Net Change in inventory for consumption	-	<b>(52,913)</b>	(22,000)
Net change in prepaid expense	-	<b>166,021</b>	(186,485)
	-	<b>113,108</b>	(208,485)
<b>Increase in net financial assets</b>	(237,188)	<b>770,195</b>	657,085
<b>Net financial assets, beginning of year</b>	1,447,570	<b>1,447,570</b>	790,485
<b>Net financial assets, end of year</b>	\$ 1,210,382	<b>\$ 2,217,765</b>	\$ 1,447,570

**Town of Cardston**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	2015	2014
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 1,122,203	\$ 585,127
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	71,876	-
Gain on disposal of tangible capital assets	-	(780)
Amortization	1,939,790	1,887,437
	<b>3,133,869</b>	<b>2,471,784</b>
Net change in non-cash working capital items		
Taxes and grants in places of taxes	4,589	(48,829)
Trade and other receivables	266,112	42,382
Land for resale inventory	-	(80,000)
Prepaid expenses	166,021	(186,486)
Inventory for consumption	(52,913)	(21,998)
Accounts payable and accrued liabilities	(128,200)	19,324
Employee benefit obligations	(32,803)	7,316
Deferred revenue	360,268	164,674
Cash provided from operating transactions	<b>3,716,943</b>	<b>2,368,167</b>
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	28,259	15,571
Acquisition of tangible capital assets	(2,505,041)	(1,621,785)
Cash applied to capital transactions	<b>(2,476,782)</b>	<b>(1,606,214)</b>
<b>Investing transactions</b>		
Purchase of investments	(644,173)	(926,000)
Proceeds on sale of investments	629,251	851,750
Advances of notes receivable	-	(78,085)
Payment on notes receivable	10,671	5,000
Cash applied to investing transactions	<b>(4,251)</b>	<b>(147,335)</b>
<b>Financing transactions</b>		
Repayment of capital lease	(4,004)	(3,608)
Repayment of long-term debt	(148,996)	(145,619)
Cash applied to investing transactions	<b>(153,000)</b>	<b>(149,227)</b>
<b>Increase (decrease) in cash and temporary investments</b>	<b>1,082,910</b>	<b>465,391</b>
<b>Cash and temporary investments, beginning of year</b>	<b>742,981</b>	<b>277,590</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 1,825,891</b>	<b>\$ 742,981</b>



**Town of Cardston**  
**Schedules to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**Schedule 1 - Change in accumulated surplus**

	Unrestricted	Internally restricted (reserves) (Note 13)	Equity in tangible capital assets (Note 12)	2015	2014
<b>Balance, beginning of year</b>	\$ 1,104,537	\$2,165,806	\$ 43,562,632	\$ 46,832,975	\$ 46,247,848
Excess of revenue over expenses	1,122,203	-	-	<b>1,122,203</b>	585,127
Unrestricted funds designated for future use	(1,231,811)	1,231,811	-	-	-
Restricted funds used for operations	226,180	(226,180)	-	-	-
Restricted funds used for tangible capital assets	-	(776,055)	776,055	-	-
Current year funds used for tangible capital assets	(1,728,986)	-	1,728,986	-	-
Disposal of tangible capital assets	100,134	-	(100,134)	-	-
Annual amortization expense	1,939,790	-	(1,939,790)	-	-
Capital lease obligation principal repaid	(4,004)	-	4,004	-	-
Long-term debt repaid	(148,996)	-	148,996	-	-
Change in accumulated surplus	274,510	229,576	618,117	<b>1,122,203</b>	585,127
<b>Balance, end of year</b>	\$ 1,379,047	\$2,395,382	44,180,749	\$ 47,955,178	46,832,975

**Town of Cardston**  
**Schedules to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**Schedule 2 - Tangible capital assets**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2015	2014
<b>Cost</b>									
Balance, beginning of year	\$ 2,015,646	\$ 2,529,284	\$ 8,334,414	\$ 64,954,385	\$ 2,624,376	\$ 1,149,083	\$ 106,286	\$ 81,713,474	\$ 80,491,444
Acquisitions	12,000	-	-	1,559,930	342,525	59,788	530,798	2,505,041	1,621,785
Construction-in-progress	-	7,057	-	178,447	-	-	(185,504)	-	-
Disposals	-	-	-	(214,938)	(170,500)	-	-	(385,438)	(397,389)
Write downs	-	-	-	(4,078)	-	-	-	(4,078)	(2,366)
<b>Balance, end of year</b>	<b>2,027,646</b>	<b>2,536,341</b>	<b>8,334,414</b>	<b>66,473,746</b>	<b>2,796,401</b>	<b>1,208,871</b>	<b>451,580</b>	<b>83,828,999</b>	<b>81,713,474</b>
<b>Accumulated amortization</b>									
Balance, beginning of year	-	933,071	3,065,950	30,996,423	1,428,096	600,839	-	37,024,379	35,521,904
Annual amortization	-	115,639	171,694	1,429,216	144,770	78,471	-	1,939,790	1,887,438
Disposals	-	-	-	(208,507)	(80,875)	-	-	(289,382)	(384,963)
<b>Balance, end of year</b>	<b>-</b>	<b>1,048,710</b>	<b>3,237,644</b>	<b>32,217,132</b>	<b>1,491,991</b>	<b>679,310</b>	<b>-</b>	<b>38,674,787</b>	<b>37,024,379</b>
<b>2015 net book value</b>	<b>\$ 2,027,646</b>	<b>\$ 1,487,631</b>	<b>\$ 5,096,770</b>	<b>\$ 34,256,614</b>	<b>\$ 1,304,410</b>	<b>\$ 529,561</b>	<b>\$ 451,580</b>	<b>\$ 45,154,212</b>	
<b>2014 net book value</b>	<b>\$ 2,015,646</b>	<b>\$ 1,586,213</b>	<b>\$ 5,268,464</b>	<b>\$ 33,957,962</b>	<b>\$ 1,196,280</b>	<b>\$ 548,244</b>	<b>\$ 106,286</b>	<b>\$ 44,689,095</b>	

**Town of Cardston**  
**Schedules to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**Schedule 3 - Consolidated expenses by object**

	Budget (Unaudited)	2015	2014
Salaries, wages and benefits	\$ 2,600,722	<b>\$ 2,572,987</b>	\$ 2,546,536
Contracted and general services	2,073,260	<b>1,925,219</b>	1,971,413
Materials, goods, supplies and utilities	1,920,862	<b>1,719,656</b>	1,892,191
Bank charges and short-term interest	9,740	<b>8,478</b>	9,166
Interest on long-term debt	25,590	<b>25,404</b>	29,583
Other expenses	82,452	<b>91,841</b>	42,660
Transfers to organizations and others	181,842	<b>173,668</b>	177,632
Amortization	1,989,384	<b>1,939,790</b>	1,887,437
	<b>\$ 8,883,852</b>	<b>\$ 8,457,043</b>	<b>\$ 8,556,618</b>

**Town of Cardston**  
**Schedules to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**Schedule 4 - Schedule of segmented disclosure**

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Electrical	Total
<b>Revenue</b>									
Net municipal taxes	\$ 2,510,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,510,874
User fees and sales of goods	45,635	58,258	34,996	2,522,230	31,239	5,604	278,165	1,958,236	4,934,363
Government transfers for operating	297,834	35,630	-	-	224,509	-	40,740	-	598,713
Investment income	87,328	-	-	-	-	-	-	-	87,328
Penalties and costs of taxes	30,860	-	-	-	-	-	-	-	30,860
Licenses and permits	49,047	-	-	-	-	-	-	-	49,047
Franchise and concession contracts	114,349	-	-	-	-	-	-	-	114,349
Donations	-	925	-	-	-	-	-	-	925
	<b>3,135,927</b>	<b>94,813</b>	<b>34,996</b>	<b>2,522,230</b>	<b>255,748</b>	<b>5,604</b>	<b>318,905</b>	<b>1,958,236</b>	<b>8,326,459</b>
<b>Expenses</b>									
Salaries, wages and benefits	786,818	73,031	261,903	389,914	53,734	234,059	476,864	296,665	2,572,988
Contracted and general services	138,036	144,604	61,257	264,932	10,618	100,165	201,564	1,004,042	1,925,218
Materials, goods, supplies and utilities	99,824	33,495	385,136	584,369	49,588	55,945	459,077	52,222	1,719,656
Bank charges and short-term interest	8,478	-	-	-	-	-	-	-	8,478
Interest on long-term debt	618	-	-	24,786	-	-	-	-	25,404
Other expenses	85,003	1,505	-	-	500	4,833	-	-	91,841
Transfers to organizations and others	-	-	-	-	133,668	40,000	-	-	173,668
Amortization	28,382	16,740	581,223	869,103	-	-	298,851	145,492	1,939,791
	<b>1,147,159</b>	<b>269,375</b>	<b>1,289,519</b>	<b>2,133,104</b>	<b>248,108</b>	<b>435,002</b>	<b>1,436,356</b>	<b>1,498,421</b>	<b>8,457,044</b>
<b>Excess (Deficiency) of revenue over expenses before other</b>	<b>1,988,768</b>	<b>(174,562)</b>	<b>(1,254,523)</b>	<b>389,126</b>	<b>7,640</b>	<b>(429,398)</b>	<b>(1,117,451)</b>	<b>459,815</b>	<b>(130,585)</b>
<b>Other</b>									
Government transfers for capital	1,217,563	-	-	-	-	-	-	-	1,217,563
Gain (loss) on disposal of capital assets	(71,876)	-	-	-	-	-	-	-	(71,876)
Contributed assets	107,100	-	-	-	-	-	-	-	107,100
<b>Excess of revenue over expense</b>	<b>\$ 3,241,555</b>	<b>\$ (174,562)</b>	<b>\$ (1,254,523)</b>	<b>\$ 389,126</b>	<b>\$ 7,640</b>	<b>\$ (429,398)</b>	<b>\$ (1,117,451)</b>	<b>\$ 459,815</b>	<b>\$ 1,122,202</b>

**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:

**(a) Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, changes in fund balances and change in financial position of the reporting entity which comprises all of the municipal operations and organizations that are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, social and other external organizations that are not part of the municipal reporting entity.

**(b) Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or 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) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**(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) 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

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

---

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

**(f) Tax revenue**

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

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

**(g) 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 leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as tangible capital assets under their respective function.

**(h) Government transfers**

Government transfers are the transfer of assets from other 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.

**(i) 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.

**(j) Non-financial assets**

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

**(i) Tangible capital assets**

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

Years

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

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 of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

**(iv) Inventories**

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

**2. Cash and temporary investments**

	<b>2015</b>	2014
Cash	<b>\$ 66,959</b>	\$ 91,939
Temporary investments	<b>1,758,932</b>	651,042
	<b>\$ 1,825,891</b>	\$ 742,981

Temporary investments are short-term deposits with original maturities of a year or less and consist of GICs with an interest rate of 1.26%. The investments mature in 2016.

The Town has available an unused \$500,000 overdraft facility with 1st Choice Savings and Credit Union which bears interest 2.7% 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 are deferred revenue amounts for the Municipal Sustainability Initiative, Disaster Recovery Program, Federal Gas Tax Fund, FCSS and a Regional Collaboration Grant which are held exclusively for approved projects. The total amount of restricted cash and temporary investments is \$1,011,473 (2014 - \$681,451) (Note 8).

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**3. Taxes and grants in place of taxes receivables**

	<b>2015</b>		2014
Taxes and grants in place of taxes receivables	\$ 76,819	\$	83,661
Arrears	29,636		27,383
	<b>\$ 106,455</b>	<b>\$</b>	<b>111,044</b>

**4. Trade and other receivables**

	<b>2015</b>		2014
Goods and Services Tax (GST)	\$ 41,271	\$	70,887
Trade receivable	65,376		91,332
Electrical receivable	524,680		535,310
Grant receivable	12,341		212,251
	<b>\$ 643,668</b>	<b>\$</b>	<b>909,780</b>

**5. Notes receivable**

	<b>2015</b>		2014
Black Sands Management Group	\$ 262,977	\$	262,926
Apprenticeship loan	21,394		32,116
	<b>\$ 284,371</b>	<b>\$</b>	<b>295,042</b>

Under the terms of the lease with Black Sands Management Group, the Town provided capital equipment totaling \$240,770 and consumable inventory totaling \$22,157. At the expiration or earlier termination of the lease, Black Sands Management Group must provide the Town with capital equipment and consumable inventory equivalent in value. The lease agreement expires 2019.

The apprenticeship loan is to repay funds spent related to the Town's apprenticeship program. This amount is to be repaid at \$10,722 per year and is due in full in 2017. If the annual payment is not made on time, interest will accrue on the overdue balance at 1% per month.



**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**6. Investments**

	2015		2014	
	Cost	Market value	Cost	Market value
TD - 2.87% - 2.92% (due 2017)	\$ -	\$ -	\$ 604,835	\$ 618,684
Scotiabank - 3.13% (due 2019))	<b>189,174</b>	<b>192,734</b>	196,080	199,212
TD Capital Trust - 3.18% (due 2018)	<b>434,474</b>	<b>449,248</b>	460,678	468,498
CIBC - 3.7% - 4.09% (due 2019))	<b>182,924</b>	<b>190,903</b>	190,895	199,191
BMO - 3.151% (due 2018)	<b>254,207</b>	<b>260,698</b>	267,920	273,150
TD Capital Trust 2.35% (due 2021)	<b>389,550</b>	<b>375,602</b>	-	-
Bank of Nova Scotia (due 2020)	<b>276,000</b>	<b>273,764</b>	276,000	282,237
National Bank (due 2021)	<b>285,000</b>	<b>267,265</b>	-	-
	<b>\$ 2,011,329</b>	<b>\$ 2,010,214</b>	<b>\$ 1,996,408</b>	<b>\$ 2,040,972</b>

All of the above investments are bonds with the exception of the \$276,000 held with Bank of Nova Scotia and the \$285,000 held with National Bank. These amounts are principal protected notes, with guaranteed principal repayment 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.

**7. Employee benefit obligations**

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.

**8. Deferred revenue**

	2015	2014
Municipal Sustainability Initiative - Capital	\$ <b>317,978</b>	\$ 365,927
Prepaid taxes	<b>588,309</b>	558,064
Disaster Recovery Program	<b>558,825</b>	-
Federal Gas Tax Fund Grant	<b>69,164</b>	88,471
Basic Municipal Transportation Grant	-	41,992
Prepaid electrical connection servicing	-	21,480
Family and Community Support Services	<b>21,573</b>	23,889
Pool donations	-	33,891
Regional Collaboration Grant	<b>43,934</b>	83,301
Community Futures	-	7,500
FCC	-	15,000
	<b>\$ 1,599,783</b>	<b>\$ 1,239,515</b>

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**9. Long-term debt**

	2015	2014
Wastewater Outfall Line Debenture- Capital	\$ 969,415	\$ 1,118,411
Current portion	\$ 152,452	\$ 149,996

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2016	\$ 152,452	\$ 21,481	\$ 173,933
2017	155,987	17,945	173,932
2018	159,605	14,327	173,932
2019	163,306	10,626	173,932
2020	167,094	9,838	176,932
Thereafter	170,971	2,963	173,934
	\$ 969,415	\$ 77,180	\$ 1,046,595

Debenture debt is repayable to Alberta Capital Finance Authority and matures in 2021. The interest rate is 2.306% before Provincial subsidy. 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 of Cardston at large.

Interest on long-term debt amounted to \$24,937 (2014 - \$28,167)

The town's total cash payments for interest in 2015 were \$25,087 (2014 - \$28,314)

**10. Capital lease obligation**

	2015	2014
IOS Financial Services	\$ 4,048	\$ 8,052
Current portion	\$ 4,048	\$ 4,004

This lease for a Ricoh photocopier is repayable in monthly installments of \$388 including interest at 10.45%. Security pledged consists of equipment with a carrying value of \$2,281 (2014 - \$6,190). The lease expires 2016.

**11. Contaminated sites liability**

On January 1, 2015, the Town adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the Town.

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**12. Equity in tangible capital assets**

	2015	2014
Tangible capital assets	\$ 83,828,998	\$ 81,713,474
Accumulated amortization	(38,674,786)	(37,024,379)
Long-term debt (Note 9)	(969,415)	(1,118,411)
Capital lease obligation (Note 10)	(4,048)	(8,052)
	<b>\$ 44,180,749</b>	<b>\$ 43,562,632</b>

**13. Reserves**

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2015	2014
General Government	\$ 469,757	\$ 299,064
Protective & Emergency Services	61,685	55,746
Public Works & Transportation	225,363	211,684
Environmental Services: Water	107,000	64,401
Environmental Services: Waste Water	39,496	45,000
Environmental Services: Garbage	32,370	31,560
Public Health Services	136,600	133,676
Planning & Development	479,482	626,940
Parks, Recreation & Culture	659,540	515,150
Electrical	184,090	182,584
	<b>\$ 2,395,383</b>	<b>\$ 2,165,805</b>

**14. Net municipal property taxes**

	Budget (Unaudited)	2015	2014
<b>Taxation</b>			
Real property taxes	\$ 3,405,395	\$ 3,354,521	\$ 3,343,767
Government grants in place of property taxes	-	53,511	\$ 51,825
	3,405,395	<b>3,408,032</b>	3,395,592
<b>Requisitions</b>			
Alberta School Foundation Fund	832,533	<b>832,533</b>	834,624
Chinook Foundation	64,624	<b>64,624</b>	66,303
	897,157	<b>897,157</b>	900,927
	<b>\$ 2,508,238</b>	<b>\$ 2,510,875</b>	<b>\$ 2,507,105</b>

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**15. Government transfers**

	Budget (Unaudited)	2015	2014
<b>Transfers for operating</b>			
Provincial government	\$ 474,728	\$ 534,777	\$ 655,809
Local government	55,695	<b>63,937</b>	40,740
	530,423	<b>598,714</b>	696,549
<b>Transfers for capital</b>			
Federal government	273,458	<b>207,458</b>	258,858
Provincial government	1,004,665	<b>952,819</b>	540,243
Local government	62,821	<b>57,286</b>	5,700
	1,340,944	<b>1,217,563</b>	804,801
	\$ 1,871,367	\$ <b>1,816,277</b>	\$ 1,403,515

**16. Budget amounts**

The 2015 budget for the Town was approved by Council on May 12, 2015 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.

Budgeted surplus per financial statements	\$ 395,259
	-
Less: Capital expenses	(2,621,831)
Principal payments on debt	(148,996)
Transfers to reserves	(993,296)
Add: Amortization	1,989,384
Transfers from reserves	1,379,480
<b>Equals approved budget</b>	<b>\$ -</b>

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**17. 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:

	2015	2014
Total debit limit	\$ 12,489,689	\$ 12,505,418
Total debt	(973,463)	(1,126,462)
Total debt limit available	\$ 11,516,226	\$ 11,378,956
Debt servicing limit	\$ 2,081,615	\$ 2,084,236
Debt servicing	(178,590)	(178,590)
Debt servicing available	\$ 1,903,025	\$ 1,905,646

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.

**18. 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 Local Authorities Pension Plan in 2015 were \$194,930 (2014 - \$217,398). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2015 were \$179,067 (2014 - \$199,770).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2.45 billion.

**Town of Cardston**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**19. 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:

	(1) Salary	(2) Benefits & allowances	<b>2015</b>	2014
<b>Council:</b>				
Mayor Maggie Kronen	\$ 16,268	\$ 552	<b>\$ 16,820</b>	\$ 21,233
Councilor Rob Barfuss	10,659	417	<b>11,076</b>	13,728
Councilor Dennis Barnes	14,108	-	<b>14,108</b>	16,172
Councilor Richard Bengry	10,357	402	<b>10,759</b>	12,057
Councilor Bill Creed	10,325	400	<b>10,725</b>	11,889
Councilor David Edmonds	10,644	-	<b>10,644</b>	13,413
Councilor Bill Peavoy	9,181	349	<b>9,530</b>	9,375
Previous Chief Administrative Officer	20,144	2,481	<b>22,625</b>	127,357
Current Chief Administrative Officer	98,612	27,016	<b>125,628</b>	-
Designated officers - 4 positions	225,019	34,973	<b>259,992</b>	280,355

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

(2) Benefits and allowances include the 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.

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

## **20. Commitments and contingencies**

- a) The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX) which provides liability insurance. The investment in this program is not reflected as an asset in the accompanying financial statements. Under the terms of 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.
- b) Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2015 the amount of accumulated sick leave was \$550,092 (2014 - \$663,045). 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.
- c) The Town of Cardston has ongoing agreements for electricity services, recycling services and solid waste collection services, which were renewed in 2011 for five years.

## **21. Financial instruments**

The Town's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, notes 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 risk 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 fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

## **22. Approval of financial statements**

These financial statements were approved by Council and Management.

## **23. Comparative figures**

Where necessary the comparative figures for the 2014 year have been reclassified to conform with 2015 financial statement presentation.