

TOWN OF CARDSTON
Consolidated Financial Statements
For the Year Ended December 31, 2016

Town of Cardston
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For the year ended December 31, 2016

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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, 2016, 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, 2016, 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 11, 2017

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, 2016

	2016	2015 (Restated)
Financial assets		
Cash and temporary investments (Note 2)	\$ 694,207	\$ 1,807,079
Taxes and grants in places of taxes (Note 3)	99,400	106,455
Trade and other receivables (Note 4)	1,210,150	600,898
Land for resale inventory	423,767	390,290
Notes receivable (Note 5)	273,649	284,371
Investments (Note 6)	3,056,170	2,011,334
	5,757,343	5,200,427
Financial liabilities		
Accounts payable and accrued liabilities	475,752	343,614
Employee benefit obligations (Note 7)	117,279	108,573
Deferred revenue (Note 8)	1,298,497	1,599,783
Long-term debt (Note 9)	816,963	969,415
Capital lease obligation	-	4,048
	2,708,491	3,025,433
Net financial assets	3,048,852	2,174,994
Non-financial assets		
Prepaid expenses	6,202	37,740
Inventory for consumption	486,160	545,461
Tangible capital assets (Schedule 2)	45,740,873	45,154,212
	46,233,235	45,737,413
Accumulated surplus (Schedule 1)	\$ 49,282,087	\$ 47,912,407

Commitments and contingencies (Note 19)

Approved on behalf of Council:

Councilor 

Councilor 

Town of Cardston
Consolidated Statement of Operations
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015 (Restated)
Revenue			
Net municipal taxes (Note 13)	\$ 2,492,223	\$ 2,490,124	\$ 2,510,874
User fees and sales of goods	4,899,345	5,204,096	4,912,978
Government transfers for operating (Note 14)	2,985,989	1,672,244	598,713
Investment income	55,000	92,714	87,328
Penalties and costs of taxes	25,000	29,404	30,860
Licenses and permits	36,600	36,110	49,047
Franchise and concession contracts	123,886	125,546	114,349
Donations	1,700	1,100	925
	10,619,743	9,651,338	8,305,074
Expenses (Schedule 3)			
Legislative	130,179	111,577	110,154
Administration	1,012,656	979,809	1,037,006
Fire	175,281	135,305	139,808
Emergency measures and disaster service	2,205,614	869,118	35,630
Ambulance services and first aid	4,580	4,581	4,581
Bylaw enforcement	103,768	114,013	89,355
Roads, streets, walks, lighting	1,502,962	1,392,636	1,243,946
Airport	17,845	11,282	15,171
Water supply and distribution	975,428	985,588	934,736
Wastewater treatment and disposal	1,056,086	838,003	876,959
Waste management	375,373	371,115	351,811
Family and community support services	294,465	264,372	247,607
Cemeteries and crematoriums	75,655	73,789	50,562
Other public health and welfare	500	500	500
Land use planning and development	190,207	199,880	207,863
Economic and agricultural development	222,183	205,791	176,577
Parks and recreation	1,232,169	1,209,187	1,167,965
Culture - libraries, museums, halls	287,479	286,277	268,391
Electrical distribution	1,668,451	1,624,915	1,519,806
	11,530,881	9,677,738	8,478,428
Deficiency of revenue over expenses before other	(911,138)	(26,400)	(173,354)
Other			
Government transfers for capital (Note 14)	1,563,600	1,085,789	1,217,563
Contributed assets	230,000	223,041	107,100
Gain (loss) on disposal of capital assets	-	87,250	(71,876)
	1,793,600	1,396,080	1,252,787
Excess of revenue over expenses	882,462	1,369,680	1,079,433
Accumulated surplus, beginning of year	47,912,407	47,912,407	46,832,974
Accumulated surplus, end of year	\$ 48,794,869	\$ 49,282,087	\$ 47,912,407

Town of Cardston
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2016

	Budget (Unaudited)	2016	2015 (Restated)
Excess of revenue over expenses	\$ 882,462	\$ 1,369,680	\$ 1,079,433
Acquisition of tangible capital assets	(3,077,596)	(2,664,184)	(2,505,041)
Amortization	2,044,512	2,032,217	1,939,790
Loss on disposal of tangible capital assets	-	-	71,876
Gain on disposal of tangible capital assets	-	(87,250)	-
Proceeds on disposal of tangible capital assets	-	132,556	28,259
	(1,033,084)	(586,661)	(465,116)
Net Change in inventory for consumption	-	59,301	(52,913)
Net change in prepaid expense	-	31,538	166,021
	-	90,839	113,108
Increase in net financial assets	(150,622)	873,858	727,425
Net financial assets, beginning of year	2,174,994	2,174,994	1,447,569
Net financial assets, end of year	\$ 2,024,372	\$ 3,048,852	\$ 2,174,994

Town of Cardston
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016

	2016	2015 (Restated)
Operating transactions		
Excess of revenue over expenses	\$ 1,369,680	\$ 1,079,433
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	-	71,876
Gain on disposal of tangible capital assets	(87,250)	-
Amortization	2,032,217	1,939,790
	3,314,647	3,091,099
Net change in non-cash working capital items		
Taxes and grants in places of taxes	7,055	4,589
Trade and other receivables	(609,252)	289,814
Land for resale inventory	(33,477)	-
Prepaid expenses	31,538	166,021
Inventory for consumption	59,301	(52,913)
Accounts payable and accrued liabilities	132,136	(128,200)
Employee benefit obligations	8,706	(32,803)
Deferred revenue	(301,286)	360,268
Cash provided from operating transactions	2,609,368	3,697,875
Capital transactions		
Proceeds on disposal of tangible capital assets	132,555	28,259
Acquisition of tangible capital assets	(2,664,184)	(2,505,041)
Cash applied to capital transactions	(2,531,629)	(2,476,782)
Investing transactions		
Purchase of investments	(1,354,831)	(643,917)
Proceeds on sale of investments	309,998	629,251
Payment on notes receivable	10,722	10,671
Cash applied to investing transactions	(1,034,111)	(3,995)
Financing transactions		
Repayment of capital lease	(4,048)	(4,004)
Repayment of long-term debt	(152,452)	(148,996)
Cash applied to investing transactions	(156,500)	(153,000)
Increase (decrease) in cash and temporary investments	(1,112,872)	1,064,098
Cash and temporary investments, beginning of year	1,807,079	742,981
Cash and temporary investments, end of year	\$ 694,207	\$ 1,807,079

Town of Cardston
Schedules to the Consolidated Financial Statements
For the Year Ended December 31, 2016

Schedule 1 - Change in accumulated surplus

	Unrestricted	Internally restricted (reserves) (Note 12)	Equity in tangible capital assets (Note 11)	2016	2015 (Restated)
Balance, beginning of year	\$ 1,336,275	\$2,395,383	\$ 44,180,749	\$ 47,912,407	\$ 46,832,974
Excess of revenue over expenses	1,369,680	-	-	1,369,680	1,079,433
Unrestricted funds designated for future use	(998,648)	998,648	-	-	-
Restricted funds used for operations	161,733	(161,733)	-	-	-
Restricted funds used for tangible capital assets	-	(332,495)	332,495	-	-
Current year funds used for tangible capital assets	(2,325,242)	-	2,325,242	-	-
Disposal of tangible capital assets	38,859	-	(38,859)	-	-
Annual amortization expense	2,032,217	-	(2,032,217)	-	-
Capital lease obligation principal repaid	(4,048)	-	4,048	-	-
Long-term debt repaid	(152,452)	-	152,452	-	-
Change in accumulated surplus	122,099	504,420	743,161	1,369,680	1,079,433
Balance, end of year	\$ 1,458,374	\$2,899,803	44,923,910	\$ 49,282,087	47,912,407

Town of Cardston
Schedules to the Consolidated Financial Statements
For the Year Ended December 31, 2016

Schedule 2 - Tangible capital assets

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2016	2015
Cost									
Balance, beginning of year	\$ 2,027,646	\$ 2,536,341	\$ 8,334,414	\$ 66,473,746	\$ 2,796,401	\$ 1,208,871	\$ 451,580	\$ 83,828,999	\$ 81,713,474
Acquisitions	-	7,106	152,104	1,234,260	907,585	-	363,129	2,664,184	2,505,041
Construction-in-progress	-	-	306,822	87,504	-	-	(394,326)	-	-
Disposals	-	(11,009)	-	(80,342)	(266,409)	(76,120)	-	(433,880)	(385,438)
Write downs	-	-	-	(6,447)	-	-	-	(6,447)	(4,078)
Balance, end of year	2,027,646	2,532,438	8,793,340	67,708,721	3,437,577	1,132,751	420,383	86,052,856	83,828,999
Accumulated amortization									
Balance, beginning of year	-	1,048,710	3,237,644	32,217,132	1,491,991	679,310	-	38,674,787	37,024,379
Annual amortization	-	116,439	182,941	1,468,753	182,141	81,943	-	2,032,217	1,939,790
Disposals	-	(11,009)	-	(80,342)	(227,550)	(76,120)	-	(395,021)	(289,382)
Balance, end of year	-	1,154,140	3,420,585	33,605,543	1,446,582	685,133	-	40,311,983	38,674,787
2016 net book value	\$ 2,027,646	\$ 1,378,298	\$ 5,372,755	\$ 34,103,178	\$ 1,990,995	\$ 447,618	\$ 420,383	\$ 45,740,873	
2015 net book value	\$ 2,027,646	\$ 1,487,631	\$ 5,096,770	\$ 34,256,614	\$ 1,304,410	\$ 529,561	\$ 451,580		\$ 45,154,212

Town of Cardston
Schedules to the Consolidated Financial Statements
For the Year Ended December 31, 2016

Schedule 3 - Consolidated expenses by object

	Budget (Unaudited)	2016	2015 (Restated)
Salaries, wages and benefits	\$ 2,688,783	\$ 2,453,030	\$ 2,572,987
Contracted and general services	4,399,605	3,009,944	1,946,604
Materials, goods, supplies and utilities	2,111,061	1,850,800	1,719,656
Bank charges and short-term interest	8,500	9,780	8,478
Interest on long-term debt	24,893	21,095	25,404
Other expenses	51,550	63,356	91,841
Transfers to organizations and others	201,977	237,516	173,668
Amortization	2,044,512	2,032,217	1,939,790
	\$ 11,530,881	\$ 9,677,738	\$ 8,478,428

Town of Cardston
Schedules to the Consolidated Financial Statements
For the Year Ended December 31, 2016

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
Revenue									
Net municipal taxes	\$ 2,490,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,490,124
User fees and sales of goods	104,195	55,086	80,659	2,429,777	47,351	2,812	292,109	2,192,106	5,204,095
Government transfers for operating	515,280	868,576	-	-	247,649	-	40,740	-	1,672,245
Investment income	92,714	-	-	-	-	-	-	-	92,714
Penalties and costs of taxes	29,404	-	-	-	-	-	-	-	29,404
Licenses and permits	36,110	-	-	-	-	-	-	-	36,110
Franchise and concession contracts	125,546	-	-	-	-	-	-	-	125,546
Donations	-	1,100	-	-	-	-	-	-	1,100
	<u>3,393,373</u>	<u>924,762</u>	<u>80,659</u>	<u>2,429,777</u>	<u>295,000</u>	<u>2,812</u>	<u>332,849</u>	<u>2,192,106</u>	<u>9,651,338</u>
Expenses									
Salaries, wages and benefits	690,663	94,469	331,014	354,403	88,765	175,060	475,389	243,267	2,453,030
Contracted and general services	167,248	973,050	122,121	276,311	51,211	96,542	217,043	1,106,418	3,009,944
Materials, goods, supplies and utilities	88,359	33,859	394,876	638,791	82,669	63,236	468,029	80,982	1,850,801
Bank charges and short-term interest	9,780	-	-	-	-	-	-	-	9,780
Interest on long-term debt	(197)	-	-	21,292	-	-	-	-	21,095
Other expenses	56,427	1,596	-	-	500	4,833	-	-	63,356
Transfers to organizations and others	56,000	-	-	-	115,516	66,000	-	-	237,516
Amortization	23,106	20,044	611,037	888,429	-	-	335,003	154,597	2,032,216
	<u>1,091,386</u>	<u>1,123,018</u>	<u>1,459,048</u>	<u>2,179,226</u>	<u>338,661</u>	<u>405,671</u>	<u>1,495,464</u>	<u>1,585,264</u>	<u>9,677,738</u>
Excess (Deficiency) of revenue over expenses before other	2,301,987	(198,256)	(1,378,389)	250,551	(43,661)	(402,859)	(1,162,615)	606,842	(26,400)
Other									
Government transfers for capital	1,085,789	-	-	-	-	-	-	-	1,085,789
Contributed assets	223,041	-	-	-	-	-	-	-	223,041
Gain (loss) on disposal of capital assets	87,250	-	-	-	-	-	-	-	87,250
Excess of revenue over expense	\$ 3,698,067	\$ (198,256)	\$ (1,378,389)	\$ 250,551	\$ (43,661)	\$ (402,859)	\$ (1,162,615)	\$ 606,842	\$ 1,369,680

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, 2016

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.

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

(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
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.

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

2. Cash and temporary investments

	2016	2015
Cash	\$ 177,672	\$ 48,147
Temporary investments	516,535	1,758,932
	\$ 694,207	\$ 1,807,079

Temporary investments are short-term deposits with original maturities of a year or less and consists of GICs with interest rates of 1.30% and 1.325%. The investments mature in 2017.

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, Alberta Community Resilience Program, and Family and Community Support Services which are held exclusively for approved projects. The total amount of restricted cash and temporary investments is \$667,977 (2015 - \$1,011,473) (Note 8).

3. Taxes and grants in place of taxes receivables

	2016	2015
Taxes and grants in place of taxes receivables	\$ 73,410	\$ 76,819
Arrears	25,990	29,636
	\$ 99,400	\$ 106,455

4. Trade and other receivables

	2016	2015
Electrical and billed services receivable	\$ 568,192	\$ 481,910
Grants receivable	473,020	12,341
Trade receivable	126,084	65,376
Goods and Services Tax (GST)	42,854	41,271
	\$ 1,210,150	\$ 600,898

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

5. Notes receivable

	2016		2015	
Black Sands Management Group	\$	262,927	\$	262,977
Apprenticeship loan		10,722		21,394
	\$	273,649	\$	284,371

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.

6. Investments

	2016		2015	
	Cost	Market value	Cost	Market value
CIBC - 3.7% - 4.09% (due 2019)	\$ 1,153,095	\$ 1,155,001	\$ 182,924	\$ 190,903
TD Capital Trust - 3.18% (due 2018)	408,198	429,571	434,474	449,248
TD Capital Trust 2.35% (due 2021)	376,848	367,067	389,550	375,602
Scotiabank 3.7% (due 2027)	374,780	373,328	-	-
National Bank (due 2021)	285,000	290,950	285,000	-
Bank of Nova Scotia (due 2020)	276,000	282,044	276,000	273,764
Scotiabank - 3.13% (due 2019)	182,249	184,240	189,179	192,734
BMO - 3.151% (due 2018)	-	-	254,207	260,698
	\$ 3,056,170	\$ 3,082,201	\$ 2,011,334	\$ 1,742,949

All of the above investments are bonds with the exception of the \$276,000 investment in Bank of Nova Scotia and the \$285,000 investment in 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.

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

8. Deferred revenue

	2016	2015
Prepaid taxes	\$ 606,710	\$ 588,309
Alberta Community Resilience Program	379,928	-
Municipal Sustainability Initiative	257,254	317,978
Family and Community Support Services	30,795	21,573
Deposit received	23,810	-
Federal Gas Tax Fund Grant	-	69,164
Disaster Recovery Program	-	558,825
Regional Collaboration Grant	-	43,934
	\$ 1,298,497	\$ 1,599,783

9. Long-term debt

	2016	2015
Wastewater Outfall Line Debenture- Capital	\$ 816,963	\$ 969,415
Current portion	\$ 155,987	\$ 152,452

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2017	\$ 155,987	\$ 17,945	\$ 173,932
2018	159,605	14,327	173,932
2019	163,306	10,626	173,932
2020	167,086	9,838	176,924
2021	170,979	2,963	173,942
	\$ 816,963	\$ 55,699	\$ 872,662

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 \$21,481 (2015 - \$24,937)

The Town's total cash payments for interest in 2016 were \$21,634 (2015 - \$25,087)

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

10. Contaminated sites liability

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2016 (2015 – nil) as a result of this standard.

11. Equity in tangible capital assets

	2016	2015
Tangible capital assets (Schedule 2)	\$ 86,052,856	\$ 83,828,998
Accumulated amortization (Schedule 2)	(40,311,983)	(38,674,787)
Long-term debt (Note 9)	(816,963)	(969,415)
Capital lease obligation	-	(4,048)
	\$ 44,923,910	\$ 44,180,748

12. 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.

	2016	2015
General government	\$ 620,534	\$ 469,757
Protective and emergency services	112,724	61,685
Public works and transportation	288,113	225,363
Environmental services: water	106,252	107,000
Environmental services: waste water	25,240	39,496
Environmental services: garbage	32,370	32,370
Public health services	140,154	136,600
Planning and development	482,013	479,482
Parks, recreation and culture	704,979	659,540
Electrical	387,424	184,090
	\$ 2,899,803	\$ 2,395,383

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

13. Net municipal property taxes

	Budget (Unaudited)	2016	2015
Taxation			
Real property taxes	\$ 3,404,037	\$ 3,376,193	\$ 3,354,521
Government grants in place of property taxes	-	26,674	\$ 53,511
	3,404,037	3,402,867	3,408,032
Requisitions			
Alberta School Foundation Fund	845,745	846,674	832,533
Chinook Foundation	66,069	66,069	64,624
	911,814	912,743	897,157
	\$ 2,492,223	\$ 2,490,124	\$ 2,510,875

14. Government transfers

	Budget (Unaudited)	2016	2015
Transfers for operating			
Provincial government	\$ 2,927,233	\$ 1,606,622	\$ 534,777
Local government	58,756	65,622	63,937
	2,985,989	1,672,244	598,714
Transfers for capital			
Federal government	255,000	232,434	207,458
Provincial government	718,600	647,233	952,819
Local government	590,000	206,122	57,286
	1,563,600	1,085,789	1,217,563
	\$ 4,549,589	\$ 2,758,033	\$ 2,889,807

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

15. Budget amounts

The 2016 budget for the Town was approved by Council on April 26, 2016 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.

	Budget	Actual
Surplus per financial statements	\$ 882,462	\$ 1,369,680
Less: Capital expenses, net	(3,077,596)	(2,618,778)
Principal payments on debt	(152,452)	(156,500)
Transfers to reserves	(629,441)	(998,648)
Add: Amortization	2,044,512	2,032,217
Transfers from reserves	932,515	494,128
Equals approved budget	\$ -	\$ 122,099

16. 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:

	2016	2015 (Restated)
Total debit limit	\$ 14,477,007	\$ 12,457,611
Total debt	(816,963)	(973,463)
Total debt limit available	\$ 13,660,044	\$ 11,484,148
Debt servicing limit	\$ 2,412,835	\$ 2,076,269
Debt servicing	(173,932)	(178,590)
Debt servicing available	\$ 2,238,903	\$ 1,897,679

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.

Town of Cardston
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2016

17. 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	2016	2015
Council:				
Mayor Maggie Kronen	\$ 17,550	\$ 408	\$ 17,958	\$ 16,820
Councilor Rob Barfuss	11,171	195	11,366	11,076
Councilor Dennis Barnes	12,078	-	12,078	14,108
Councilor Richard Bengry	12,286	232	12,518	10,759
Councilor Bill Creed	11,014	190	11,204	10,725
Councilor David Edmonds	12,062	-	12,062	10,644
Councilor Bill Peavoy	9,833	151	9,984	9,530
Chief Administrative Officer	99,333	27,033	126,366	148,253
Designated officers - 3 positions (2015 - 4 positions)	172,983	32,835	205,818	259,992

(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.

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 2016 were \$183,044 (2015 - \$194,930). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2016 were \$168,110 (2015 - \$179,067).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

19. 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, 2016 the amount of accumulated sick leave was \$571,406 (2015 - \$550,092). 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 2016 for five years.

20. 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 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 customers minimizes the credit risk.

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

21. Approval of financial statements

These financial statements have been approved by Council and Management.

22. Prior period adjustment

It was discovered during the current fiscal year that there was an error made in a year-end adjusting entry for the prior year. The error understated electrical expense by \$21,385 and overstated electrical revenue by the same amount. Trade receivables and accumulated surplus were overstated by \$42,711. The adjustment has been reflected in the comparative figures.

23. Comparative figures

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