

TOWN OF CARDSTON

Financial Statements

For the year ended December 31, 2012

TOWN OF CARDSTON
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For the year ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To: The Mayor and Members of Council of
the Town of Cardston

We have audited the accompanying consolidated financial statements of the Town of Cardston which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net financial assets (debt) and cash flow 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Cardston as at December 31, 2012 and the results of its operations, changes in its net financial assets (debt), and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

We draw attention to note 19 to the financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not qualified in respect of this matter.

Lethbridge, Alberta

Young Parkyn McNab LLP

April 23, 2013

Chartered Accountants

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 also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Young Parkyn McNab LLP, Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Young Parkyn McNab LLP has full and free access to the Council.



Chief Administrative Officer

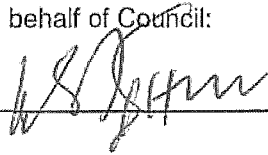
TOWN OF CARDSTON
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	2012	2011 (restated)
Financial assets		
Cash and temporary investments (note 2)	\$ 479,299	\$ 1,581,858
Taxes and grants in place of taxes receivable (note 3)	76,403	77,770
Trade and other receivables	856,489	1,076,021
Land held for resale	326,894	330,344
Notes receivable (note 4)	291,957	361,957
Investments (note 5)	1,881,995	831,018
	3,913,037	4,258,968
Liabilities		
Accounts payable and accrued liabilities	393,810	498,650
Employee benefit obligations (note 6)	148,559	122,526
Deferred revenue (note 7)	1,284,709	1,415,515
Long-term debt (note 8)	1,487,693	1,703,981
Obligation under capital lease (note 9)	14,912	17,837
	3,329,683	3,758,509
Net financial assets	583,354	500,459
Non-financial assets		
Prepaid expenses	14,861	21,630
Inventory for consumption	471,267	416,893
Tangible capital assets (schedule 2)	44,189,483	43,378,012
	44,675,611	43,816,535
Accumulated surplus (note 12)	\$ 45,258,965	\$ 44,316,995

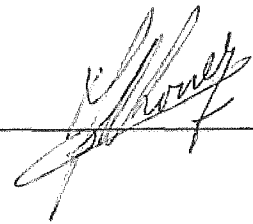
Commitments and contingencies (note 22)

Approved on behalf of Council:

Councillor



Councillor



TOWN OF CARDSTON
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011 (restated)
Revenue			
Net municipal taxes (note 14)	\$ 2,511,817	\$ 2,508,352	\$ 2,470,694
User fees and sales of goods	3,918,340	4,178,715	3,404,492
Government transfers for operating (note 15)	686,305	682,432	703,692
Investment income	70,000	67,525	66,755
Penalties and costs of taxes	22,000	28,612	23,548
Licenses and permits	35,850	41,940	36,754
Gain on disposal of capital assets	-	58,917	96,770
Franchise and concession contracts	96,000	87,026	98,663
Donations	1,500	1,750	6,980
	7,341,812	7,655,269	6,908,348
Expenses (note 16)			
Legislative	102,400	97,175	86,029
Administration	1,075,463	1,049,157	1,046,689
Fire	119,448	118,070	96,820
Emergency measures and disaster services	15,664	11,635	168
Ambulance services and first aid	4,592	72,520	4,592
Bylaw enforcement	73,071	69,002	71,907
Roads, streets, walks, lighting	1,497,371	1,246,177	1,347,295
Airport	19,039	18,380	7,410
Water supply and distribution	951,691	867,601	913,540
Wastewater treatment and disposal	1,006,407	953,114	890,019
Waste management	290,162	306,928	280,586
Family and community support services	227,917	265,154	250,643
Cemeteries and crematoriums	62,258	47,160	50,737
Other public health and welfare	25,764	20,333	12,829
Land use planning, zoning and development	214,652	248,525	184,196
Economic and agricultural development	331,775	229,810	310,156
Parks and recreation	1,021,298	1,203,593	1,012,274
Culture - libraries, museums, halls	231,026	230,627	220,771
Electrical distribution	1,452,773	1,370,437	1,268,485
	8,722,771	8,425,398	8,055,146
Deficiency of revenue over expenses before other	(1,380,959)	(770,129)	(1,146,798)
Other			
Government transfers for capital (note 15)	1,042,002	1,671,204	1,573,967
Contributed assets	-	40,895	859,507
	1,042,002	1,712,099	2,433,474
Excess (deficiency) of revenue over expenses	(338,957)	941,970	1,286,676
Accumulated surplus, beginning of year			
As previously stated	46,508,648	46,508,648	45,379,377
Prior period adjustments (note 19)	-	(2,191,653)	(2,349,058)
As restated	46,508,648	44,316,995	43,030,319
Accumulated surplus, end of year	\$ 46,169,691	\$ 45,258,965	\$ 44,316,995

TOWN OF CARDSTON
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2012

	Budget (Unaudited)	2012	2011 (restated)
Excess (deficiency) of revenue over expenses	\$ (338,957)	\$ 941,970	\$ 1,286,676
Acquisition of tangible capital assets	(2,635,573)	(2,580,608)	(2,974,485)
Amortization	2,007,697	1,794,906	1,766,242
Contributed assets	-	(40,895)	(859,507)
Loss on disposal of tangible capital assets	-	1,556	233,393
Gain on disposal of tangible capital assets	-	(58,910)	(96,770)
Proceeds on disposal of tangible capital assets	-	72,481	458,818
	(627,876)	(811,470)	(1,472,309)
Net change in inventory for consumption	-	(54,374)	115,193
Net change in prepaid expense	-	6,769	38,057
	-	(47,605)	153,250
Increase (decrease) in net financial assets	(966,833)	82,895	(32,383)
Net financial assets, beginning of year	500,459	500,459	532,842
Net financial assets (debt), end of year	\$ (466,374)	\$ 583,354	\$ 500,459

TOWN OF CARDSTON
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2012

	2012	2011 (restated)
Operating transactions		
Excess (deficiency) of revenue over expenses	\$ 941,970	\$ 1,286,676
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	1,556	233,393
Gain on disposal of tangible capital assets	(58,910)	(96,770)
Amortization	1,794,906	1,766,242
Contributed assets	(40,895)	(859,507)
	2,638,627	2,330,034
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	1,367	(3,402)
Trade and other receivables	219,534	1,659,982
Land held for resale	3,450	(92,500)
Inventory for consumption	(54,374)	115,193
Prepaid expenses	6,769	38,057
Accounts payable and accrued liabilities	(104,840)	(442,140)
Employee benefit obligations	26,033	5,362
Deferred revenue	(130,806)	292,856
	2,605,760	3,903,442
Capital transactions		
Proceeds on disposal of tangible capital assets	72,481	458,820
Acquisition of tangible capital assets	(2,580,608)	(2,974,485)
	(2,508,127)	(2,515,665)
Investing transactions		
Purchase of investments	(1,244,910)	(229,598)
Proceeds on sale of investments	193,932	95,673
Transfer to (from) temporary investments	-	1,006,991
Change in notes receivable	70,000	(116,957)
	(980,978)	756,109
Financing transactions		
Municipal line of credit	-	(2,225,596)
Proceeds of capital lease	-	20,013
Repayment of capital lease	(2,926)	(2,176)
Proceeds of long-term debt	-	1,545,439
Repayment of long-term debt	(216,288)	(73,259)
	(219,214)	(735,579)
(Decrease) increase in cash and temporary investments	(1,102,559)	1,408,307
Cash and temporary investments, beginning of year	1,581,858	173,552
Cash and temporary investments, end of year	\$ 479,299	\$ 1,581,858

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 government 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 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.

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

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(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.

1. **Significant accounting policies, continued**

(d) Investments

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

(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 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.

(f) Land held for resale

Land held for resale is recorded at the lower of cost and 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.

(g) Prepaid local improvements charges

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

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

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

(h) 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.

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

1. Significant accounting policies, continued

(i) 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
Land improvements	10-30
Buildings	25-50
Engineered structures	5-80
Machinery and equipment	5-40
Vehicles	10-40

Amortization will be recorded in the month that the asset is purchased and will be 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 CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

2. Cash and temporary investments

	2012	2011
Cash	\$ 479,299	\$ 24,867
Temporary investment	-	1,556,991
	\$ 479,299	\$ 1,581,858

3. Taxes and grants in place of taxes receivables

	2012	2011
Taxes and grants in place of taxes receivable	\$ 47,104	\$ 48,471
Arrears	29,299	29,299
	\$ 76,403	\$ 77,770

4. Notes receivable

	2012	2011
Black Sands Management Group	\$ 216,957	\$ 216,957
Leavitt Irrigation District	65,000	130,000
Cardston Agricultural Society	10,000	15,000
	\$ 291,957	\$ 361,957

Under the terms of the lease with Black Sands Management Group, the Town provided capital equipment totaling \$194,800 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 2021.

The Town provided a loan to the Leavitt Irrigation District (LID) for the construction of phase II of the pressure pipe on Lateral K. In exchange, the LID is to provide enclosed pressure pipeline to service the Town's water treatment plant and an irrigation trunk line. This note receivable is unsecured, non-interest bearing and is repayable in annual installments of \$65,000.

The Town provided a loan to the Cardston Agricultural Society for the purchase of a tractor. This note receivable is unsecured, non-interest bearing and is repayable in annual installments of \$5,000.

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

5. Investments

	2012		2011	
	Cost	Market value	Cost	Market value
Bank of Montreal - 4.5% (due 2016)	\$ 389,989	\$ 417,500	\$ 373,170	\$ 394,465
CIBC Bond - 3.15% - 4.11% (due 2015)	257,290	266,645	257,182	262,054
TD - 5.763%	634,409	643,639	-	-
Scotiabank - 7.802% (due 2019)	209,895	208,623	-	-
CIBC - 9.976% (due 2019)	178,294	179,007	-	-
Bank of Nova Scotia - 3.036% (due 2019)	212,118	210,111	-	-
Royal Bank of Canada - 5.17% (due 2013)	-	-	200,666	209,547
	\$ 1,881,995	\$ 1,925,525	\$ 831,018	\$ 866,066

6. Employee benefit obligations

	2012	2011
Vacation	\$ 148,559	\$ 122,526
Sick time	\$ 27,504	\$ -

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime 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.

7. Deferred revenue

	2012	2011
Municipal Sustainability Initiative - Capital	\$ 186,030	\$ 741,693
Prepaid taxes	520,548	501,565
Federal Gas Tax Fund Grant	99,588	147,201
Basic Municipal Transportation Grant	10,299	23,294
Alberta Recycling Program	-	1,762
Emergency preparedness Grant	500	-
Hail damage insurance proceeds	467,744	-
	\$ 1,284,709	\$ 1,415,515

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

8. Long-term debt

	2012	2011
Leavitt Irrigation District Debenture - Operating	\$ 81,346	\$ 158,542
Wastewater Outfall Line Debenture - Capital	1,406,347	1,545,439
	<u>\$ 1,487,693</u>	<u>\$ 1,703,981</u>
Current portion	<u>\$ 223,663</u>	<u>\$ 216,288</u>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 223,663	\$ 35,987	\$ 259,650
2014	145,619	28,314	173,933
2015	148,996	24,937	173,933
2016	152,452	21,481	173,933
2017	155,987	17,945	173,932
Thereafter	660,976	34,753	695,729
	<u>\$ 1,487,693</u>	<u>\$ 163,417</u>	<u>\$ 1,651,110</u>

Debenture debt is repayable to Alberta Capital Finance Authority and matures in periods 2013 through 2021. The interest rates range from 2.306% to 5.375% 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 \$8,863 (2011 - 11,165).

The Town's total cash payments for interest in 2012 were \$8,687 (2011 - 10,744).

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

9. Capital lease obligation

	2012	2011
IOS Financial Services	\$ 14,912	\$ 17,837
Current portion	\$ 3,252	\$ 2,926

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2013	\$ 3,252	\$ 1,405	\$ 4,657
2014	3,608	1,049	4,657
2015	4,004	653	4,657
2016	4,048	116	4,164
	\$ 14,912	\$ 3,223	\$ 18,135

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 \$14,009. The lease expires 2016.

10. Equity in tangible capital assets

	2012	2011 (restated)
Tangible capital assets (schedule 2)	\$ 78,068,586	\$ 75,671,910
Accumulated amortization (schedule 2)	(33,879,103)	(32,293,898)
Long-term debt (note 8)	(1,487,693)	(1,703,981)
Obligation under capital lease (note 9)	(14,912)	(17,837)
Non-capital long-term debt (note 9)	81,345	158,541
	\$ 42,768,223	\$ 41,814,735

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

11. 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 expenditures.

	2012	2011
Land trust	\$ 94,410	\$ 92,418
Equipment	5,144	5,144
Recreation	700,673	646,300
Bylaw	12,881	8,381
Public works	127,554	188,106
Miscellaneous	218,559	209,294
Land sales	418,894	569,329
Health Society	20,600	20,600
Cemetery perpetual care	100,000	100,000
Urban renewal	61,288	39,575
Sewer debenture	-	79,729
Electrical	177,728	86,504
Off site levies	31,016	14,600
	\$ 1,968,747	\$ 2,059,980

12. Accumulated surplus

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

	2012	2011 (restated)
Unrestricted surplus	\$ 521,995	\$ 442,280
Internally restricted surplus (reserves) (note 11)	1,968,747	2,059,980
Equity in tangible capital assets (note 10)	42,768,223	41,814,735
	\$ 45,258,965	\$ 44,316,995

13. Segmented disclosure

The Town of Cardston provides a range of services to its ratepayers. For each reported segment, revenue 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 consolidated financial statements as disclosed in note 1.

Refer to the Schedule of Segmented Disclosure (schedule 3)

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

14. Net municipal property taxes

	Budget (Unaudited)	2012	2011
Taxation			
Real property taxes	\$ 3,289,386	\$ 3,288,681	\$ 3,172,983
Government grants in place of property taxes	56,226	56,226	50,560
	<u>3,345,612</u>	<u>3,344,907</u>	<u>3,223,543</u>
Requisitions			
Alberta School Foundation Fund	769,512	772,273	699,238
Other requisitions	64,283	64,282	53,611
	<u>833,795</u>	<u>836,555</u>	<u>752,849</u>
	<u>\$ 2,511,817</u>	<u>\$ 2,508,352</u>	<u>\$ 2,470,694</u>

15. Government transfers

	Budget (Unaudited)	2012	2011
Transfers for operating:			
Provincial government	\$ 645,565	\$ 641,692	\$ 662,946
Local government	40,740	40,740	40,746
	<u>686,305</u>	<u>682,432</u>	<u>703,692</u>
Transfers for capital			
Federal government	192,030	249,136	452,795
Provincial government	849,972	1,422,068	1,121,172
	<u>1,042,002</u>	<u>1,671,204</u>	<u>1,573,967</u>
	<u>\$ 1,728,307</u>	<u>\$ 2,353,636</u>	<u>\$ 2,277,659</u>

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

16. Expenses by object

	Budget (Unaudited)	2012	2011 (restated)
Salaries, wages and benefits	\$ 2,551,942	\$ 2,481,415	\$ 2,268,992
Contracted and general services	1,782,118	1,682,248	1,578,894
Materials, goods, supplies and utilities	2,072,996	2,146,292	1,858,229
Bank charges and short-term interest	8,000	10,925	7,882
Interest on long-term debt	43,363	43,563	44,240
Other expenditures	71,723	46,864	87,723
Transfers to organizations and others	184,932	217,629	209,551
Amortization	2,007,697	1,794,906	1,766,242
Loss on disposal of tangible capital assets	-	1,556	233,393
	<u>\$ 8,722,771</u>	<u>\$ 8,425,398</u>	<u>\$ 8,055,146</u>

17. Budget amounts

The 2012 budget for the Town was approved by Council on May 8, 2012 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 expenditures, 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 deficit per financial statements	\$ (338,957)
Less: Capital expenditures	(2,635,573)
Principal payments on debt	(216,288)
Transfers to reserves	(751,562)
Add: Amortization	2,007,697
Transfers from reserves	1,934,683
<u>Equals: balanced budget</u>	<u>\$ -</u>

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

18. 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:

	2012	2011
Total debt limit	\$ 11,394,528	\$ 10,217,366
Total debt	1,502,604	1,721,818
	\$ 9,891,924	\$ 8,495,548
Debt servicing limit	\$ 1,889,908	\$ 1,702,894
Debt servicing	219,214	254,055
	\$ 1,670,694	\$ 1,448,839

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 which 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.

19. Prior period adjustments

The Town has restated its financial statements to adjust the prior year with regard to tangible capital assets that were recorded by the Town but owned by the Province.

Adjustments to January 1, 2011 accumulated surplus:	
As previously reported	\$ 45,379,377
Adjustment to net book value of tangible capital assets	(2,349,058)
As restated	\$ 43,030,319

Adjustments to excess of revenue over expenses for the year ended	
December 31, 2011:	
As previously reported	\$ 1,129,272
Amortization adjustment	157,404
As restated	\$ 1,286,676

TOWN OF CARDSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

20. 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	2012	2011
Council				
Mayor Rick Schow	\$ 16,340	\$ 2,648	\$ 18,988	\$ 17,473
Councilor Maggie Kronen	9,570	886	10,456	10,497
Councilor David Dahl	9,833	956	10,789	8,996
Councilor Tim Court	8,292	1,015	9,307	8,835
Councilor David Edmonds	9,353	1,035	10,388	8,355
Councilor Bill Creed	8,643	-	8,643	7,906
Councilor Dave Smith	7,336	536	7,872	7,706
Municipal Administration				
Chief Administrative Officer	99,541	20,386	119,927	116,374
Designated officers (4 positions)	\$ 250,473	\$ 46,519	\$ 296,992	\$ 286,330

(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.

21. Local Authorities Pension Plan

The Town participates in a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan.

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 214,000 people and about 423 employers. It is financed by employer and employee contributions and 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 Plan of 9.91% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.74% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.91% of pensionable salary up to the year's maximum pensionable salary and 12.74% on pensionable salary above this amount.

Total current service contributions by the Town to the Local Authorities Pension Plan in 2012 were \$175,908 (2011 - \$169,181). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2012 were \$159,483 (2011 - \$158,876).

At December 31, 2011, the LAPP disclosed an actuarial deficiency of \$4.639 billion.

22. Commitments and contingencies

a) The Town of Cardston 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, 2012 the amount of accumulated sick leave was \$587,470 (2011 - \$567,859). 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 is currently working on large capital projects relating to the community irrigation line and the main sewer line. The 2013 expenditures expected to complete these projects totals approximately \$520,000.

d) The Town of Cardston has ongoing agreements for electricity services, recycling services and solid waste collection services, which were renewed in 2011 for an additional five years.

e) The Town of Cardston received \$750,000 in 2012 for insurance proceeds pertaining to the hail storm where \$467,745 has yet to be spent. In addition, it is expected for an additional \$700,000 insurance proceeds to be received and expended in 2013.

23. Financial instruments

The Town of Cardston'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 held for resale, 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 of Cardston 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.

24. Approval of financial statements

These financial statements were approved by Council and Management.

25. Comparative figures

Where necessary the comparative figures for the 2011 year have been reclassified to conform with 2012 financial statement presentation.

TOWN OF CARDSTON
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of changes in accumulated surplus				Schedule 1	
	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2012	2011 (restated)
Balance, beginning of year					
As previously stated	\$ 442,280	\$ 2,059,980	\$ 44,006,388	\$ 46,508,648	\$ 45,379,377
Prior period adjustment	-	-	(2,191,653)	(2,191,653)	(2,349,058)
As restated	442,280	2,059,980	41,814,735	44,316,995	43,030,319
Excess (deficiency) of revenue over expenses	941,970	-	-	941,970	1,286,676
Unrestricted funds designated for future use	(571,964)	571,964	-	-	-
Restricted funds used for operations	167,995	(167,995)	-	-	-
Restricted funds used for tangible capital assets	-	(495,202)	495,202	-	-
Current year funds used for tangible capital assets	(2,085,399)	-	2,085,399	-	-
Contributed tangible capital assets	(40,895)	-	40,895	-	-
Disposal of tangible capital assets	15,120	-	(15,120)	-	-
Annual amortization expense	1,794,906	-	(1,794,906)	-	-
Capital lease obligation principal repaid	(2,926)	-	2,926	-	-
Capital debenture repaid	(139,092)	-	139,092	-	-
Change in accumulated surplus	79,715	(91,233)	953,488	941,970	1,286,676
Balance, end of year	\$ 521,995	\$ 1,968,747	\$ 42,768,223	\$ 45,258,965	\$ 44,316,995

TOWN OF CARDSTON
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of tangible capital assets	Schedule 2						
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress
						2012	2011 (restated)
Cost:							
Balance, beginning of year \$	1,865,646	\$ 2,365,551	\$ 7,066,516	\$ 60,835,378	\$ 2,367,544	\$ 782,650	\$ 75,671,910
Acquisitions	150,000	117,716	-	559,598	189,731	193,594	1,410,857
Construction completed	-	70,474	-	-	-	-	(70,474)
Disposals	-	(40,714)	-	(103,010)	(60,000)	(21,096)	-
Balance, end of year	2,015,646	2,513,027	7,066,516	61,291,966	2,497,275	955,148	78,068,586
Accumulated amortization:							
Balance, beginning of year	-	625,322	2,955,147	27,174,304	1,031,920	507,205	32,293,898
Annual amortization	-	104,770	121,068	1,329,611	194,815	44,642	1,794,906
Disposals	-	(27,145)	-	(101,454)	(60,000)	(21,102)	(209,701)
Balance, end of year	-	702,947	3,076,215	28,402,461	1,166,735	530,745	33,879,103
Net book value	\$ 2,015,646	\$ 1,810,080	\$ 3,990,301	\$ 32,889,505	\$ 1,330,540	\$ 424,403	\$ 44,189,483
2011 net book value (restated)	\$ 1,865,646	\$ 1,740,229	\$ 4,111,369	\$ 33,661,073	\$ 1,335,624	\$ 275,446	\$ 43,378,012

TOWN OF CARDSTON
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2012

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Electrical	Total
Revenue									
Net municipal taxes	\$ 2,508,352	-	-	-	-	-	-	-	\$ 2,508,352
User fees and sales of goods	308,568	21,749	55,274	1,760,841	38,135	62,091	264,931	1,667,126	4,178,715
Government transfers for operating	53,462	66,486	-	121,266	191,144	130,761	119,313	-	682,432
Investment income	67,525	-	-	-	-	-	-	-	67,525
Penalties and costs of taxes	28,612	-	-	-	-	-	-	-	28,612
Licenses and permits	41,940	-	-	-	-	-	-	-	41,940
Gain on disposal of capital assets	58,917	-	-	-	-	-	-	-	58,917
Franchise and concession contracts	87,026	-	-	-	-	-	-	-	87,026
Donations	-	1,750	-	-	-	-	-	-	1,750
	3,154,402	89,985	55,274	1,882,107	229,279	192,852	384,244	1,667,126	7,655,269
Expenses									
Salaries, wages and benefits	832,412	52,429	255,047	310,464	58,166	286,764	457,777	228,356	2,481,415
Contracted and general services	145,520	1,431	21,353	257,766	50,111	177,176	60,489	1,038,772	1,682,248
Materials, goods, supplies and utilities	145,804	198,455	388,382	721,700	6,241	14,395	604,532	(3,587)	2,146,292
Bank charges and short term interest	10,925	-	-	-	-	-	-	-	10,925
Interest on long term debt	1,706	-	-	41,857	-	-	-	-	43,563
Other expenditures	(17,060)	-	-	-	500	-	63,424	-	46,864
Transfers to organizations and others	-	-	-	-	217,629	-	-	-	217,629
Amortization of tangible capital assets	27,025	18,911	598,218	795,858	-	-	247,998	106,896	1,794,906
Loss on disposal of tangible capital assets	-	-	1,556	-	-	-	-	-	1,556
	1,146,332	271,226	1,284,556	2,127,645	332,647	478,335	1,434,220	1,370,437	8,425,398
Deficiency of revenue over expenses before other	2,008,070	(181,241)	(1,209,282)	(245,538)	(103,368)	(285,483)	(1,049,976)	296,689	(770,129)
Other									
Government transfers for capital	-	-	335,111	1,336,093	-	-	-	-	1,671,204
Contributed assets	-	-	-	-	-	-	19,097	21,798	40,895
	-	-	335,111	1,336,093	-	-	19,097	21,798	1,712,099
Excess (deficiency) of revenue over expenses	\$ 2,008,070	\$ (181,241)	\$ (874,171)	\$ 1,090,555	\$ (103,368)	\$ (285,483)	\$ (1,030,879)	\$ 318,487	\$ 941,970