

**TOWN OF CARDSTON**

**Financial Statements**

**For the year ended December 31, 2010**

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**TOWN OF CARDSTON**  
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For the year ended December 31, 2010

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# Young Parkyn McNab LLP

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the Town of Cardston as at December 31, 2010, and the consolidated statements of operations, change in net financial assets 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, 2010 and its financial performance 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 17 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



April 26, 2011

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 Council as a whole.

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, 2010

	2010	2009 (restated)
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 173,552	\$ 140,314
Taxes and grants in place of taxes receivable (note 3)	74,368	64,286
Trade and other receivables	2,736,003	1,370,703
Land held for resale	216,843	232,460
Notes receivable (note 4)	245,000	315,000
Long-term investments (note 5)	1,704,083	1,722,640
	5,149,849	3,845,403
<b>Liabilities</b>		
Municipal line of credit	2,225,596	-
Accounts payable and accrued liabilities	940,791	428,779
Deferred revenue (note 7)	1,122,659	1,295,600
Long-term debt (note 8)	231,800	384,816
	4,520,846	2,109,195
<b>Net financial assets</b>	629,003	1,736,208
<b>Non-financial assets</b>		
Prepaid expenses	59,687	-
Inventory for consumption	532,087	462,360
Tangible capital assets (schedule 1)	44,225,656	40,813,177
	44,817,430	41,275,537
<b>Accumulated surplus (note 11)</b>	\$ 45,446,433	\$ 43,011,745

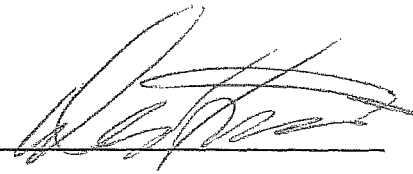
*Commitments and contingencies (note 20)*

Approved on behalf of Council:

Councilor



Councilor



**TOWN OF CARDSTON**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009 (restated)
<b>Revenue</b>			
Net municipal taxes (note 12)	\$ 2,488,997	\$ 2,458,049	\$ 2,324,608
User fees and sales of goods	4,096,080	3,651,099	3,809,064
Government transfers for operating (note 13)	571,401	528,511	603,858
Investment income	99,000	62,880	98,314
Penalties and costs of taxes	20,000	24,664	22,575
Licenses and permits	33,200	49,470	40,530
Franchise and concession contracts	90,021	95,263	87,757
	<u>7,398,699</u>	<u>6,869,936</u>	<u>6,986,706</u>
<b>Expenses (note 14)</b>			
Legislative	81,800	86,450	77,703
Administration	1,014,583	1,015,908	960,160
Fire	82,306	82,369	59,262
Emergency measures and disaster services	-	12,118	3,375
Ambulance services and first aid	4,592	4,592	30,457
Bylaw enforcement	58,948	65,359	49,949
Roads, streets, walks	1,863,503	1,824,115	1,422,156
Airport	7,885	8,193	9,338
Water supply and distribution	839,374	779,325	783,112
Wastewater treatment and disposal	745,602	808,825	713,016
Waste management	275,775	260,558	245,570
Family and community support services	231,705	221,579	224,682
Cemeteries and crematoriums	56,985	47,095	45,524
Other public health and welfare	30,760	16,176	17,499
Land use planning, zoning and development	152,954	195,883	184,789
Economic and agricultural development	314,519	227,919	243,011
Parks and recreation	1,587,332	1,598,155	1,534,897
Culture - libraries, museums, halls	209,591	209,356	203,103
Electrical distribution	1,155,230	1,169,612	1,076,144
Loss on disposal of capital assets	-	32,677	2,174
	<u>8,713,444</u>	<u>8,666,264</u>	<u>7,885,921</u>
<b>Deficiency of revenue over expenses before other</b>	<b>(1,314,745)</b>	<b>(1,796,328)</b>	<b>(899,215)</b>
<b>Other</b>			
Government transfers for capital (note 13)	4,474,049	3,515,891	1,851,423
Contributed assets	-	715,125	-
	<u>4,474,049</u>	<u>4,231,016</u>	<u>1,851,423</u>
<b>Excess of revenue over expenses</b>	<b>3,159,304</b>	<b>2,434,688</b>	<b>952,208</b>
<b>Accumulated surplus, beginning of year</b>			
As previously stated	43,011,745	42,797,748	41,814,162
Prior period adjustments (note 17)	-	213,997	245,375
As restated	<u>43,011,745</u>	<u>43,011,745</u>	<u>42,059,537</u>
<b>Accumulated surplus, end of year</b>	<b>\$ 46,171,049</b>	<b>\$ 45,446,433</b>	<b>\$ 43,011,745</b>

**TOWN OF CARDSTON**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)**  
For the year ended December 31, 2010

	Budget (Unaudited)	2010	2009 (restated)
<b>Excess of revenue over expenses</b>	\$ 3,159,304	\$ 2,434,688	\$ 952,208
Acquisition of tangible capital assets	(7,331,862)	(4,982,559)	(2,349,976)
Amortization	2,248,337	2,248,337	1,670,566
Contributed assets	-	(715,125)	-
Loss on disposal of tangible capital assets	-	32,677	2,174
Proceeds on disposal of tangible capital assets	-	4,191	26,500
	(5,083,525)	(3,412,479)	(650,736)
Net change in inventory for consumption	-	(69,727)	(78,990)
Net change in prepaid expense	-	(59,687)	-
	-	(129,414)	(78,990)
<b>Increase (decrease) in net financial assets</b>	(1,924,221)	(1,107,205)	222,482
<b>Net financial assets, beginning of year</b>	1,736,208	1,736,208	1,513,726
<b>Net financial assets (debt), end of year</b>	\$ (188,013)	\$ 629,003	\$ 1,736,208

**TOWN OF CARDSTON**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2010

	2010	2009 (restated)
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 2,434,688	\$ 952,208
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	32,677	2,174
Amortization	2,248,337	1,670,566
Contributed assets	(715,125)	-
	4,000,577	2,624,948
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(10,082)	(6,611)
Trade and other receivables	(1,365,298)	(716,483)
Land held for resale	15,617	(111,650)
Inventory for consumption	(69,727)	(78,990)
Prepaid expenses	(59,687)	-
Accounts payable and accrued liabilities	512,012	(353,602)
Deferred revenue	(172,941)	(305,968)
	2,850,471	1,051,644
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	4,191	26,500
Acquisition of tangible capital assets	(4,982,559)	(2,349,976)
	(4,978,368)	(2,323,476)
<b>Investing transactions</b>		
Purchase of investments	78,487	(842,503)
Proceeds on sale of investments	(59,932)	733,846
Receipts of notes receivable	70,000	70,000
	88,555	(38,657)
<b>Financing transactions</b>		
Municipal line of credit	2,225,596	-
Repayment of long-term debt	(153,016)	(214,164)
	33,238	(1,524,653)
<b>Increase (decrease) in cash and temporary investments</b>		
<b>Cash and temporary investments, beginning of year</b>	140,314	1,664,967
<b>Cash and temporary investments, end of year</b>	\$ 173,552	\$ 140,314
<b>Cash and temporary investments consists of:</b>		
Cash (note 2)	\$ 93,546	\$ (161,389)
Temporary investments	80,006	301,703
	\$ 173,552	\$ 140,314



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**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**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) Investments

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

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**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**1. Significant accounting policies, continued**

(d) 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.

(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 physical 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) 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.

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**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**1. Significant accounting policies, continued**

- (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
Buildings	25-50
Engineered structures	5-80
Machinery and equipment	5-40
Construction in progress	10-20

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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.
- (v) **Cultural and historical tangible capital assets**  
Works of art for display are not recorded as tangible capital assets but are disclosed.
- (i) **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.

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**2. Cash and temporary investments**

	2010	2009
Cash	\$ 93,546	\$ (161,389)
Temporary investment	80,006	301,703
	<b>\$ 173,552</b>	<b>\$ 140,314</b>

The temporary investment is a GIC's with an interest rate of 4.317%.

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

	2010	2009
Taxes and grants in place of taxes receivable	\$ 52,575	\$ 48,223
Arrears	21,793	16,063
	<b>\$ 74,368</b>	<b>\$ 64,286</b>

**4. Notes receivable**

	2010	2009
Leavitt Irrigation District	\$ 195,000	\$ 260,000
Cardston Agricultural Society	20,000	25,000
The Cardston Soccer Association	30,000	30,000
	<b>\$ 245,000</b>	<b>\$ 315,000</b>

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.

The Town provided a loan to the Cardston Soccer Association. This note receivable is unsecured, non-interest bearing and repayable in full in 2011.

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**5. Long-term investments**

	2010		2009	
	Cost	Market value	Cost	Market value
Province of Ontario - 1.75% - 5.87% (due 2012)	\$ 887,210	\$ 889,801	\$ 868,658	\$ 867,550
Bank of Montreal - 4.5% (due 2016)	357,103	368,505	341,685	337,727
Scotiabank - 5.16% (due 2012)	190,692	200,382	181,323	192,958
Royal Bank of Canada - 5.17% (due 2013)	190,803	201,519	181,422	191,758
CIBC Bond - 4.11% (due 2015)	78,275	77,413	-	-
Toronto Dominion Bank	-	-	80,252	82,413
CIBC Fixed Note	-	-	69,300	71,229
	<b>\$ 1,704,083</b>	<b>\$ 1,737,620</b>	<b>\$ 1,722,640</b>	<b>\$ 1,743,635</b>

**6. Municipal line of credit**

The Town signed an acceptance of an Offer of Financing with 1st Choice Savings and Credit Union Ltd. Under this agreement the Town is authorized to borrow in the aggregate up to the sum of \$5,136,315. The borrowing of these funds was discussed and approved by council and documented in by-laws #1550 and #1585. The funds are to be used for the interim financing, undertaking and completing of the wastewater outfall line capital project. The balance outstanding as at December 31, 2010 was \$2,225,596. Payments of the interest accrued, at Credit Union prime, is due on the last day of each month.

Security consists of a letter of agreement signed by the Town supported by the by-laws noted above.

**7. Deferred revenue**

	2010	2009 (restated)
Municipal Sustainability Initiative - Capital	\$ 567,539	\$ 179,566
Prepaid taxes	469,350	423,353
Municipal Sponsorship Grant - Capital	48,919	59,360
Streets Improvement Program - Capital	13,588	19,868
Golf memberships	13,571	27,873
Family and Community Support Services	9,692	11,469
Alberta Municipal Infrastructure Program - Capital	-	443,246
New Deal for Cities and Communities - Capital	-	130,865
	<b>\$ 1,122,659</b>	<b>\$ 1,295,600</b>

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**8. Long-term debt**

	2010	2009
Leavitt irrigation District Debenture - Operating	\$ 231,800	\$ 301,322
Tax supported loan - Capital	-	83,494
	<u>\$ 231,800</u>	<u>\$ 384,816</u>
Current portion	\$ 73,258	\$ 153,014

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2011	\$ 73,258	\$ 12,459	\$ 85,717
2012	77,196	8,522	85,718
2013	81,346	4,372	85,718
	<u>\$ 231,800</u>	<u>\$ 25,353</u>	<u>\$ 257,153</u>

Debenture debt is repayable to Alberta Capital Finance Authority and matures in 2013. The interest rate is 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.

The tax supported loan was repaid in 2010.

Interest on long-term debt amounted to \$16,184 (2009 - \$26,924).

The Town's total cash payments for interest in 2010 were \$17,645 (2009 - \$28,502).

**9. Equity in tangible capital assets**

	2010	2009 (restated)
Tangible capital assets (schedule 1)	\$ 78,014,495	\$ 72,653,502
Accumulated amortization (schedule 1)	(33,788,839)	(31,840,325)
Long-term debt (note 8)	(231,800)	(384,816)
Municipal line of credit (note 6)	(2,225,596)	-
Non-capital long-term debt (note 8)	231,800	301,322
	<u>\$ 42,000,060</u>	<u>\$ 40,729,683</u>

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**10. 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.

	2010	2009
Land trust	\$ 92,418	\$ 92,418
Equipment	5,144	3,334
Recreation	615,836	523,347
Bylaw	4,881	26,000
Public works	131,259	150,368
Miscellaneous	101,589	100,347
Land sales	491,197	399,085
Health Society	20,600	20,600
Cemetery perpetual care	100,000	100,000
Urban renewal	75,065	43,000
Sewer debenture	310,910	176,426
Electrical	110,267	-
	<b>\$ 2,059,166</b>	<b>\$ 1,634,925</b>

**11. Accumulated surplus**

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

	2010	2009 (restated)
Unrestricted surplus	\$ 1,387,207	\$ 647,137
Internally restricted surplus (reserves) (note 10)	2,059,166	1,634,925
Equity in tangible capital assets (note 9)	42,000,060	40,729,683
	<b>\$ 45,446,433</b>	<b>\$ 43,011,745</b>

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**12. Net municipal property taxes**

	Budget (Unaudited)	2010	2009
<b>Taxation</b>			
Real property taxes	\$ 3,193,040	\$ 3,162,092	\$ 2,948,278
Government grants in place of property taxes	45,078	45,078	47,826
	3,238,118	3,207,170	2,996,104
<b>Requisitions</b>			
Alberta School Foundation Fund	650,397	650,397	639,530
Other requisitions	98,724	98,724	31,966
	749,121	749,121	671,496
	\$ 2,488,997	\$ 2,458,049	\$ 2,324,608

**13. Government transfers**

	Budget (Unaudited)	2010	2009 (restated)
<b>Transfers for operating:</b>			
Provincial government	\$ 546,401	\$ 503,511	\$ 583,855
Local government	25,000	25,000	20,003
	571,401	528,511	603,858
<b>Transfers for capital</b>			
Federal government	1,741,991	1,427,650	215,793
Provincial government	2,732,058	2,088,241	1,635,630
	4,474,049	3,515,891	1,851,423
	\$ 5,045,450	\$ 4,044,402	\$ 2,455,281



**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**14. Expenditures by object**

	Budget (Unaudited)	2010	2009 (restated)
Salaries, wages and benefits	\$ 2,321,034	\$ 2,313,507	\$ 2,191,814
Contracted and general services	694,518	725,206	729,677
Materials, goods, supplies and utilities	2,073,839	1,985,429	2,038,811
Bank charges and short-term interest	16,300	11,970	15,459
Interest on long-term debt	39,696	27,602	26,924
Other expenditures	57,037	54,097	23,712
Transfers to organizations and others	194,972	185,346	190,414
Electrical	1,067,711	1,082,093	996,370
Amortization	2,248,337	2,248,337	1,670,566
Loss on disposal of tangible capital assets	-	32,677	2,174
	<b>\$ 8,713,444</b>	<b>\$ 8,666,264</b>	<b>\$ 7,885,921</b>

**15. Budget amounts**

The 2010 budget for the Town was approved by Council on May 11, 2010 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.

In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted surplus per financial statements	\$	3,159,304
Less: Capital expenditures		(7,331,862)
Principal payments on debt		(153,016)
Transfers to reserves		(913,652)
Add: Amortization		2,248,337
Transfers from reserves		1,445,451
Loan proceeds		1,545,438
<b>Equals: balanced budget</b>	<b>\$</b>	<b>-</b>

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**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:

	2010	2009
Total debt limit	\$ 10,304,903	\$ 10,202,556
Total debt	2,457,396	384,816
	<b>\$ 7,847,507</b>	<b>\$ 9,817,740</b>
Debt servicing limit	\$ 1,717,484	\$ 1,700,426
Debt servicing	73,258	170,665
	<b>\$ 1,644,226</b>	<b>\$ 1,529,761</b>

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.

**17. Prior period adjustments**

The Town has restated its financial statements to correct misstatements in the prior year in regards to tangible capital assets and related accumulated amortization. In addition, deferred revenue from government grants has been adjusted to correctly reflect deferred revenue in the prior year. These adjustments are as follows:

<b>Adjustments to January 1, 2009 accumulated surplus:</b>	
As previously reported	\$ 41,814,162
Adjustment to net book value of tangible capital assets	99,988
Adjustment to deferred revenue	145,387
<b>As restated</b>	<b>\$ 42,059,537</b>

<b>Adjustments to excess of revenue over expenses for the year ended</b>	
<b>December 31, 2009:</b>	
As previously reported	\$ 983,586
Amortization	(9,917)
Decrease in deferred revenue	(21,461)
<b>As restated</b>	<b>\$ 952,208</b>

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

**17. Prior period adjustments, continued**

<b>Adjustments to tangible capital assets as at December 31, 2009:</b>	
As previously reported	\$ 40,723,106
Adjustments to historical cost of tangible capital assets	237,324
Accumulated amortization recorded	(147,253)
<hr/>	
<b>As restated</b>	<b>\$ 40,813,177</b>

**18. 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	2010	2009
<b>Council</b>				
Mayor Rick Schow	\$ 11,935	\$ 2,182	\$ 14,117	\$ 15,155
Councilor Dave Smith	7,031	876	7,907	7,306
Councilor Tim Court	6,672	941	7,613	6,289
Councilor Robert Russell	6,034	1,294	7,328	6,179
Councilor Richard Bengry	6,021	1,462	7,483	8,608
Councilor Glen Jones	5,500	301	5,801	7,240
Councilor Duane Barrus	5,112	280	5,392	6,936
Councilor Bill Creed	2,261	18	2,279	-
Councilor David Dahl	2,456	671	3,127	-
Councilor Maggie Kronen	2,261	914	3,175	-
Councilor David Edmonds	2,252	768	3,020	-
<b>Municipal Administration</b>				
Marian Carlson	\$ 93,274	\$ 18,639	\$ 111,913	\$ 107,893

(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.

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**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**19. 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 199,000 people and about 418 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 9.06% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.53% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.06% of pensionable salary up to the year's maximum pensionable salary and 11.53% on pensionable salary above this amount.

Total current service contributions by the Town to the Local Authorities Pension Plan in 2009 were \$160,955 (2009 - \$126,985). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2009 were \$144,481 (2009 - \$113,032).

At December 31, 2009, the LAPP disclosed an actuarial deficiency of \$3.999 billion.

**20. 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, 2010 the amount of accumulated sick leave was \$24,957. The 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 outfall line, lift station and related projects in the waste water plant. The 2011 expenditures expected to complete these projects totals approximately \$1,152,000.

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**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

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**21. Change in estimate**

During the year, the Town adjusted its estimate of the useful life of roads to 20 years for the purpose of calculating amortization, which had previously been estimated as 30 years. This change was not applied retroactively.

**22. 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.

**23. Subsequent event**

Subsequent to year end the Town signed an agreement with Black Sands Management Group to provide for the lease and operation of the Town owned golf course facility. Under this agreement the Town has leased out the golf course for a term of 10 years commencing March 2011 for an annual rent of \$25,000. This annual rent will be paid by way of a combination of \$10,000 cash and \$15,000 capital expenditures.

**24. Approval of financial statements**

These financial statements were approved by Council and Management.

**25. Comparative figures**

Where necessary the comparative figures for the 2009 year have been reclassified to conform with 2010 financial statement presentation.

**TOWN OF CARDSTON**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2010	2009
Balance, beginning of year					
As previously stated	\$ 523,210	\$ 1,634,925	\$ 40,639,613	\$ 42,797,748	\$ 41,814,162
Prior period adjustments	123,927	-	90,070	213,997	245,375
As restated	647,137	1,634,925	40,729,683	43,011,745	42,059,537
Excess of revenue over expenses	2,434,688	-	-	2,434,688	952,208
Unrestricted funds designated for future use	(654,788)	654,788	-	-	-
Restricted funds used for operations	107,349	(107,349)	-	-	-
Restricted funds used for tangible capital assets	-	(123,198)	123,198	-	-
Current year funds used for tangible capital assets	(4,859,363)	-	4,859,363	-	-
Contributed tangible capital assets	(715,125)	-	715,125	-	-
Disposal of tangible capital assets	36,869	-	(36,869)	-	-
Annual amortization expense	2,248,338	-	(2,248,338)	-	-
Long term debt repaid	(83,494)	-	83,494	-	-
Proceeds of municipal line of credit	2,225,596	-	(2,225,596)	-	-
Change in accumulated surplus	740,070	424,241	1,270,377	2,434,688	952,208
<b>Balance, end of year</b>	<b>\$ 1,387,207</b>	<b>\$ 2,059,166</b>	<b>\$ 42,000,060</b>	<b>\$ 45,446,433</b>	<b>\$ 43,011,745</b>

**TOWN OF CARDSTON**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2010

Schedule of tangible capital assets	Schedule 2							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2009 (restated)
<b>Cost:</b>								
Balance, beginning of year \$	1,999,857	\$ 1,439,843	\$ 6,862,024	\$ 58,971,804	\$ 2,714,201	\$ 665,773	\$ -	\$ 72,653,503
Acquisitions	-	-	36,231	1,969,014	215,244	64,409	3,412,788	5,697,686
Disposals	-	-	-	(302,207)	-	(34,487)	-	(336,694)
Balance, end of year	1,999,857	1,439,843	6,898,255	60,638,611	2,929,445	695,695	3,412,788	78,014,495
<b>Accumulated amortization:</b>								
Balance, beginning of year	-	315,925	2,723,055	27,329,182	1,032,781	439,384	-	31,840,326
Annual amortization	-	57,594	112,701	1,826,474	218,399	33,169	-	2,248,337
Disposals	-	-	-	(272,757)	-	(27,067)	-	(299,824)
Balance, end of year	-	373,519	2,835,756	28,882,899	1,251,180	445,486	-	33,788,839
<b>Net book value</b>	<b>\$ 1,999,857</b>	<b>\$ 1,066,324</b>	<b>\$ 4,062,499</b>	<b>\$ 31,755,712</b>	<b>\$ 1,678,265</b>	<b>\$ 250,209</b>	<b>\$ 3,412,788</b>	<b>\$ 44,225,656</b>
<b>2009 net book value (restated)</b>	<b>\$ 1,999,857</b>	<b>\$ 1,123,918</b>	<b>\$ 4,138,970</b>	<b>\$ 31,642,622</b>	<b>\$ 1,681,420</b>	<b>\$ 226,389</b>	<b>\$ -</b>	<b>\$ 40,813,176</b>

