

**TOWN OF CARDSTON**

**Financial Statements**

**For the year ended December 31, 2011**

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**TOWN OF CARDSTON**  
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For the year ended December 31, 2011

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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, 2011, 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, 2011 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 20 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 McNaab LLP*

April 03, 2012

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, 2011

	2011	2010 (restated)
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 1,581,858	\$ 173,552
Taxes and grants in place of taxes receivable (note 3)	77,770	74,368
Trade and other receivables	1,076,021	2,736,003
Land held for resale	330,344	237,844
Notes receivable (note 4)	361,957	245,000
Long-term investments (note 5)	831,018	1,704,083
	4,258,968	5,170,850
<b>Liabilities</b>		
Municipal line of credit (note 6)	-	2,225,596
Accounts payable and accrued liabilities	498,648	940,793
Employee benefit obligations (note 7)	122,526	117,164
Deferred revenue (note 8)	1,415,515	1,122,659
Long-term debt (note 9)	1,703,981	231,800
Obligation under capital lease (note 10)	17,837	-
	3,758,507	4,638,012
<b>Net financial assets</b>	500,461	532,838
<b>Non-financial assets</b>		
Prepaid expenses	21,630	59,687
Inventory for consumption	416,893	532,087
Tangible capital assets (schedule 2)	45,569,664	44,254,764
	46,008,187	44,846,538
<b>Accumulated surplus (note 13)</b>	\$ 46,508,648	\$ 45,379,376

*Commitments and contingencies* (note 23)

Approved on behalf of Council:

Councillor *David H. Edwards*

Councillor *[Signature]*

**TOWN OF CARDSTON**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2011

	Budget (Unaudited)	2011	2010 (restated)
<b>Revenue</b>			
Net municipal taxes (note 15)	\$ 2,478,980	\$ 2,470,694	\$ 2,458,049
User fees and sales of goods	3,441,888	3,404,492	3,651,099
Government transfers for operating (note 16)	760,270	703,692	528,511
Investment income	90,000	66,755	62,880
Penalties and costs of taxes	22,000	23,548	24,664
Licenses and permits	43,800	36,754	49,470
Gain on disposal of capital assets	-	96,770	-
Franchise and concession contracts	90,000	98,663	95,263
Donations	2,500	6,980	-
	<b>6,929,438</b>	<b>6,908,348</b>	<b>6,869,936</b>
<b>Expenses (note 17)</b>			
Legislative	85,400	86,028	86,448
Administration	1,068,104	1,046,689	1,047,958
Fire	109,215	96,820	82,369
Emergency measures and disaster services	-	168	12,118
Ambulance services and first aid	4,592	4,592	4,592
Bylaw enforcement	71,314	71,907	68,107
Roads, streets, walks, lighting	1,546,381	1,497,847	1,849,948
Airport	10,352	7,410	8,193
Water supply and distribution	895,468	904,454	807,633
Wastewater treatment and disposal	812,035	894,793	821,316
Waste management	274,012	280,586	260,558
Family and community support services	253,277	250,643	222,714
Cemeteries and crematoriums	60,436	50,737	47,095
Other public health and welfare	26,177	12,829	16,176
Land use planning, zoning and development	159,329	184,196	206,311
Economic and agricultural development	359,733	321,321	227,919
Parks and recreation	975,719	1,012,274	1,620,547
Culture - libraries, museums, halls	221,877	220,771	211,914
Electrical distribution	1,173,972	1,268,485	1,181,512
	<b>8,107,393</b>	<b>8,212,550</b>	<b>8,783,428</b>
<b>Deficiency of revenue over expenses before other</b>	<b>(1,177,955)</b>	<b>(1,304,202)</b>	<b>(1,913,492)</b>
<b>Other</b>			
Government transfers for capital (note 16)	1,780,361	1,573,967	3,515,891
Contributed assets	-	859,507	715,125
	<b>1,780,361</b>	<b>2,433,474</b>	<b>4,231,016</b>
<b>Excess of revenue over expenses</b>	<b>602,406</b>	<b>1,129,272</b>	<b>2,317,524</b>
<b>Accumulated surplus, beginning of year</b>			
As previously stated	45,446,431	45,446,431	43,011,743
Prior period adjustments (note 20)	-	(67,055)	50,109
As restated	45,446,431	45,379,376	43,061,852
<b>Accumulated surplus, end of year</b>	<b>\$ 46,048,837</b>	<b>\$ 46,508,648</b>	<b>\$ 45,379,376</b>

**TOWN OF CARDSTON**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2011

	Budget (Unaudited)	2011	2010 (restated)
<b>Excess of revenue over expenses</b>	\$ 602,406	\$ 1,129,272	\$ 2,317,524
Acquisition of tangible capital assets	(3,607,113)	(2,974,485)	(4,982,559)
Amortization	1,923,646	1,923,646	2,248,337
Contributed assets	-	(859,507)	(715,125)
Loss on disposal of tangible capital assets	-	233,393	32,677
Gain on disposal of tangible capital assets	-	(96,770)	-
Proceeds on disposal of tangible capital assets	-	458,820	4,191
	(1,683,467)	(1,314,903)	(3,412,479)
Net change in inventory for consumption	-	115,197	(69,728)
Net change in prepaid expense	-	38,057	(59,687)
	-	153,254	(129,415)
<b>Decrease in net financial assets</b>	(1,081,061)	(32,377)	(1,224,370)
<b>Net financial assets, beginning of year</b>	532,838	532,838	1,757,208
<b>Net financial assets (debt), end of year</b>	\$ (548,223)	\$ 500,461	\$ 532,838

**TOWN OF CARDSTON**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2011

	2011	2010 (restated)
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 1,129,272	\$ 2,317,524
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	233,393	32,677
Gain on disposal of tangible capital assets	(96,770)	-
Amortization	1,923,646	2,248,337
Contributed assets	(859,507)	(715,125)
	2,330,034	3,883,413
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(3,402)	(10,082)
Trade and other receivables	1,659,982	(1,365,297)
Land held for resale	(92,500)	15,617
Inventory for consumption	115,197	(69,728)
Prepaid expenses	38,057	(59,687)
Accounts payable and accrued liabilities	(442,145)	512,012
Employee benefit obligations	5,362	117,164
Deferred revenue	292,856	(172,941)
	3,903,441	2,850,471
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	458,820	4,191
Acquisition of tangible capital assets	(2,974,485)	(4,982,559)
	(2,515,665)	(4,978,368)
<b>Investing transactions</b>		
Purchase of investments	(229,598)	(130,702)
Proceeds on sale of investments	95,673	69,251
Transfer to temporary investments	1,006,991	80,006
Change in notes receivable	(116,957)	70,000
	756,109	88,555
<b>Financing transactions</b>		
Municipal line of credit	(2,225,596)	2,225,596
Proceeds of capital lease	20,013	-
Repayment of capital lease	(2,176)	-
Proceeds of long-term debt	1,545,439	-
Repayment of long-term debt	(73,259)	(153,016)
	(735,579)	2,072,580
<b>Increase in cash and temporary investments</b>	1,408,306	33,238
<b>Cash and temporary investments, beginning of year</b>	173,552	140,314
<b>Cash and temporary investments, end of year</b>	\$ 1,581,858	\$ 173,552



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**TOWN OF CARDSTON**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

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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) 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.

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**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

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**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.

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**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

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**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	10-25
Buildings	25-50
Engineered structures	5-80
Machinery and equipment	5-40
Vehicles	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.

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**2. Cash and temporary investments**

	2011	2010
Cash	\$ 24,867	\$ 93,546
Temporary investment	1,556,991	80,006
	\$ 1,581,858	\$ 173,552

The temporary investments include strip bonds with interest rates from 1.75% to 5.16% and a GIC with an interest rate of 1.35%.

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

	2011	2010
Taxes and grants in place of taxes receivable	\$ 48,471	\$ 52,575
Arrears	29,299	21,793
	\$ 77,770	\$ 74,368

**4. Notes receivable**

	2011	2010
Black Sands Management Group	\$ 216,957	\$ -
Leavitt Irrigation District	130,000	195,000
Cardston Agricultural Society	15,000	20,000
The Cardston Soccer Association	-	30,000
	\$ 361,957	\$ 245,000

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.

The Town provided a loan to the Cardston Soccer Association. This note was paid in full in 2011.

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**5. Long-term investments**

	2011		2010	
	Cost	Market value	Cost	Market value
Bank of Montreal - 4.5% (due 2016)	\$ 373,170	\$ 394,465	\$ 357,103	\$ 368,505
CIBC Bond - 3.15% - 4.11% (due 2015)	257,182	262,054	78,275	77,413
Royal Bank of Canada - 5.17% (due 2013)	200,666	209,547	190,803	201,519
Province of Ontario	-	-	887,210	889,801
Scotiabank	-	-	190,692	200,382
	<b>\$ 831,018</b>	<b>\$ 866,066</b>	<b>\$ 1,704,083</b>	<b>\$ 1,737,620</b>

**6. Municipal line of credit**

The Town has a line of credit 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 \$3,000,000. 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, 2011 was nil (2010 - \$2,225,596).

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

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**7. Employee benefit obligations**

	2011	2010 (restated)
Vacation	\$ 122,526	\$ 117,164

**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.

**8. Deferred revenue**

	2011	2010
Municipal Sustainability Initiative - Capital	\$ 741,693	\$ 567,539
Prepaid taxes	501,565	469,350
Federal Gas Tax Fund	147,201	-
Basic Municipal Transportation Grant	23,294	-
Alberta Recycling Program	1,762	-
Municipal Sponsorship Grant - Capital	-	48,919
Streets Improvement Program - Capital	-	13,588
Golf memberships	-	13,571
Family and Community Support Services	-	9,692
	\$ 1,415,515	\$ 1,122,659

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**9. Long-term debt**

	2011	2010
Leavitt Irrigation District Debenture - Operating	\$ 158,542	\$ 231,800
Wastewater Outfall Line Debenture - Capital	1,545,439	-
	\$ 1,703,981	\$ 231,800
Current portion	\$ 216,288	\$ 73,258

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2012	\$ 216,288	\$ 43,362	\$ 259,650
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
Thereafter	816,963	52,699	869,662
	\$ 1,703,981	\$ 206,780	\$ 1,910,761

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 \$11,165 (2010 - \$16,184).

The Town's total cash payments for interest in 2011 were \$10,744 (2010 - \$17,645).

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**10. Capital lease obligation**

	2011	2010
IOS Financial Services	\$ 17,837	\$ -
Current portion	\$ 2,926	\$ -

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2012	\$ 2,926	\$ 1,731	\$ 4,657
2013	3,252	1,405	4,657
2014	3,608	1,049	4,657
2015	4,004	653	4,657
2016	4,047	116	4,163
	\$ 17,837	\$ 4,954	\$ 22,791

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 \$18,012. The lease expires 2016.

**11. Equity in tangible capital assets**

	2011	2010 (restated)
Tangible capital assets (schedule 1)	\$ 80,713,013	\$ 78,043,603
Accumulated amortization (schedule 1)	(35,143,349)	(33,788,839)
Long-term debt (note 9)	(1,703,981)	(231,800)
Obligation under capital lease (note 10)	(17,837)	-
Municipal line of credit (note 6)	-	(2,225,596)
Non-capital long-term debt (note 9)	158,542	231,800
	\$ 44,006,388	\$ 42,029,168



**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**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 expenditures.

	2011	2010
Land trust	\$ 92,418	\$ 92,418
Equipment	5,144	5,144
Recreation	646,300	615,836
Bylaw	8,381	4,881
Public works	188,106	131,259
Miscellaneous	209,294	101,589
Land sales	569,329	491,197
Health Society	20,600	20,600
Cemetery perpetual care	100,000	100,000
Urban renewal	39,575	75,065
Sewer debenture	79,729	310,910
Electrical	86,504	110,267
Off site levies	14,600	-
	<b>\$ 2,059,980</b>	<b>\$ 2,059,166</b>

**13. Accumulated surplus**

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

	2011	2010
Unrestricted surplus	\$ 442,280	\$ 1,291,042
Internally restricted surplus (reserves) (note 12)	2,059,980	2,059,166
Equity in tangible capital assets (note 11)	44,006,388	42,029,168
	<b>\$ 46,508,648</b>	<b>\$ 45,379,376</b>

**14. 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, 2011

**15. Net municipal property taxes**

	Budget (Unaudited)	2011	2010
<b>Taxation</b>			
Real property taxes	\$ 3,181,269	\$ 3,172,983	\$ 3,162,092
Government grants in place of property taxes	50,560	50,560	45,078
	3,231,829	3,223,543	3,207,170
<b>Requisitions</b>			
Alberta School Foundation Fund	699,238	699,238	650,397
Other requisitions	53,611	53,611	98,724
	752,849	752,849	749,121
	\$ 2,478,980	\$ 2,470,694	\$ 2,458,049

**16. Government transfers**

	Budget (Unaudited)	2011	2010
<b>Transfers for operating:</b>			
Provincial government	\$ 719,530	\$ 662,946	\$ 503,511
Local government	40,740	40,746	25,000
	760,270	703,692	528,511
<b>Transfers for capital</b>			
Federal government	561,240	452,795	1,427,650
Provincial government	1,219,121	1,121,172	2,088,241
	1,780,361	1,573,967	3,515,891
	\$ 2,540,631	\$ 2,277,659	\$ 4,044,402

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**17. Expenses by object**

	Budget (Unaudited)	2011	2010 (restated)
Salaries, wages and benefits	\$ 2,358,204	\$ 2,268,991	\$ 2,731,828
Contracted and general services	1,384,731	1,416,215	1,459,576
Materials, goods, supplies and utilities	2,080,617	2,020,909	2,031,995
Bank charges and short-term interest	59,565	39,487	23,388
Interest on long-term debt	12,459	12,635	16,184
Other expenditures	72,934	87,723	54,097
Transfers to organizations and others	215,237	209,551	185,346
Amortization	1,923,646	1,923,646	2,248,337
Loss on disposal of tangible capital assets	-	233,393	32,677
	<b>\$ 8,107,393</b>	<b>\$ 8,212,550</b>	<b>\$ 8,783,428</b>

**18. Budget amounts**

The 2011 budget for the Town was approved by Council on May 13, 2011 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	\$ 602,406
Less: Capital expenditures	(3,607,113)
Principal payments on debt	(73,259)
Transfers to reserves	(846,752)
Add: Amortization	1,923,646
Transfers from reserves	1,639,234
Loan proceeds	361,838
<b>Equals: balanced budget</b>	<b>\$ -</b>

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**19. 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:

	2011	2010
Total debt limit	\$ 10,217,366	\$ 10,304,903
Total debt	1,721,818	2,457,396
	\$ 8,495,548	\$ 7,847,507
Debt servicing limit	\$ 1,702,894	\$ 1,717,484
Debt servicing	254,055	73,258
	\$ 1,448,839	\$ 1,644,226

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.

**20. Prior period adjustments**

The Town has restated its financial statements to adjust the prior year with regard to tangible capital assets in land and land held for resale. In addition, the liability relating to vacation time has been accrued. These adjustments are as follows:

<b>Adjustments to January 1, 2010 accumulated surplus:</b>	
As previously reported	\$ 43,011,743
Adjustment to net book value of tangible capital assets	29,108
Adjustment to inventory in land held for resale	21,001
<b>As restated</b>	<b>\$ 43,061,852</b>

<b>Adjustments to excess of revenue over expenses for the year ended</b>	
<b>December 31, 2010:</b>	
As previously reported	\$ 2,434,688
Vacation time accrued previously unrecorded	(117,164)
<b>As restated</b>	<b>\$ 2,317,524</b>

**TOWN OF CARDSTON**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

**21. 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)		(2)		
	Salary		Benefits & allowances	2011	2010
<b>Council</b>					
Mayor Rick Schow	\$ 15,991	\$	1,482	\$ 17,473	\$ 14,117
Councilor Maggie Kronen	9,654		843	10,497	3,175
Councilor David Dahl	8,612		384	8,996	3,127
Councilor Tim Court	8,238		597	8,835	7,613
Councilor David Edmonds	7,906		449	8,355	3,020
Councilor Bill Creed	7,664		242	7,906	2,279
Councilor Dave Smith	7,208		498	7,706	7,907
Councilor Robert Russell	-		-	-	7,328
Councilor Richard Bengry	-		-	-	7,483
Councilor Glen Jones	-		-	-	5,801
Councilor Duane Barrus	-		-	-	5,392
<b>Municipal Administration</b>					
Marian Carlson	96,650		19,724	116,374	111,913
Designated officers (4 positions)	\$ 235,354	\$	50,976	\$ 286,330	\$ 272,713

(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.

**22. 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 206,100 people and about 421 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 9.49% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.13% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8.49% of pensionable salary up to the year's maximum pensionable salary and 12.13% on pensionable salary above this amount.

Total current service contributions by the Town to the Local Authorities Pension Plan in 2011 were \$169,181 (2010 - \$160,955). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2011 were \$158,876 (2010 - \$144,481).

At December 31, 2010, the LAPP disclosed an actuarial deficiency of \$4.635 billion.

**23. 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, 2011 the amount of accumulated sick leave was \$604,019 (2010 - \$521,667). 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 community irrigation line and the main sewer line. The 2012 expenditures expected to complete these projects totals approximately \$1,020,000.

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.

**24. 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.

**25. Approval of financial statements**

These financial statements were approved by Council and Management.

**26. Comparative figures**

Where necessary the comparative figures for the 2010 year have been reclassified to conform with 2011 financial statement presentation.

**TOWN OF CARDSTON**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

	Schedule of changes in accumulated surplus			Schedule 1	
	Unrestricted	Internally restricted (reserves)	Equity in tangible capital assets	2011	2010 (restated)
Balance, beginning of year					
As previously stated	\$ 1,387,205	\$ 2,059,166	\$ 42,000,060	\$ 45,446,431	\$ 43,011,743
Prior period adjustment	(96,163)	-	29,108	(67,055)	50,109
As restated	1,291,042	2,059,166	42,029,168	45,379,376	43,061,852
Excess of revenue over expenses	1,129,272	-	-	1,129,272	2,317,524
Unrestricted funds designated for future use	(734,290)	734,290	-	-	-
Restricted funds used for operations	108,450	(108,450)	-	-	-
Restricted funds used for tangible capital assets	-	(625,026)	625,026	-	-
Current year funds used for tangible capital assets	(2,323,390)	-	2,323,390	-	-
Contributed tangible capital assets	(859,507)	-	859,507	-	-
Disposal of tangible capital assets	569,377	-	(569,377)	-	-
Annual amortization expense	1,923,646	-	(1,923,646)	-	-
Capital lease obligation principal repaid	(2,176)	-	2,176	-	-
Municipal line of credit repaid	(2,225,596)	-	2,225,596	-	-
Debenture proceeds	1,545,439	-	(1,545,439)	-	-
Capital lease proceeds	20,013	-	(20,013)	-	-
Change in accumulated surplus	(848,762)	814	1,977,220	1,129,272	2,317,524
<b>Balance, end of year</b>	<b>\$ 442,280</b>	<b>\$ 2,059,980</b>	<b>\$ 44,006,388</b>	<b>\$ 46,508,648</b>	<b>\$ 45,379,376</b>



**TOWN OF CARDSTON**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2011

Schedule of tangible capital assets								Schedule 2	
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2011	2010
<b>Cost:</b>									
Balance, beginning of year	\$ 2,028,965	\$ 1,439,843	\$ 6,898,255	\$ 60,638,611	\$ 2,929,445	\$ 695,695	\$ 3,412,788	\$ 78,043,601	\$ 72,682,611
Acquisitions	3,930	-	168,261	1,352,070	828,984	86,955	1,391,021	3,831,221	5,697,686
Construction completed	-	-	-	4,415,184	-	-	(4,415,184)	-	-
Disposals	(167,249)	-	-	(529,383)	(465,177)	-	-	(1,161,809)	(336,694)
<b>Balance, end of year</b>	<b>1,865,646</b>	<b>1,439,843</b>	<b>7,066,516</b>	<b>65,876,482</b>	<b>3,293,252</b>	<b>782,650</b>	<b>388,625</b>	<b>80,713,013</b>	<b>78,043,603</b>
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	373,519	2,835,756	28,882,899	1,251,180	445,486	-	33,788,839	31,840,326
Annual amortization	-	57,639	119,391	1,446,087	238,810	61,719	-	1,923,646	2,248,337
Disposals	-	-	-	(305,230)	(263,906)	-	-	(569,136)	(299,824)
<b>Balance, end of year</b>	<b>-</b>	<b>431,158</b>	<b>2,955,147</b>	<b>30,023,756</b>	<b>1,226,084</b>	<b>507,205</b>	<b>-</b>	<b>35,143,349</b>	<b>33,788,839</b>
<b>Net book value</b>	<b>\$ 1,865,646</b>	<b>\$ 1,008,685</b>	<b>\$ 4,111,369</b>	<b>\$ 35,852,726</b>	<b>\$ 2,067,168</b>	<b>\$ 275,445</b>	<b>\$ 388,625</b>	<b>\$ 45,569,664</b>	<b>\$ 44,254,764</b>
<b>2010 net book value (restated)</b>	<b>\$ 2,028,965</b>	<b>\$ 1,066,325</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>\$ 44,254,762</b>	

**TOWN OF CARDSTON**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2011**

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
<b>Revenue</b>									
Net municipal taxes	\$ 2,470,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,470,694
User fees and sales of goods	33,516	25,992	-	-	37,919	91,730	274,806	1,315,350	3,404,492
Government transfers for operating	339,044	117,711	60,438	1,564,741	198,141	-	48,796	-	703,692
Investment income	66,755	-	-	-	-	-	-	-	66,755
Penalties and costs of taxes	23,548	-	-	-	-	-	-	-	23,548
Licenses and permits	36,754	-	-	-	-	-	-	-	36,754
Gain on disposal of capital assets	-	-	-	-	-	-	96,770	-	96,770
Franchise and concession contracts	98,663	-	-	-	-	-	-	-	98,663
Donations	-	6,980	-	-	-	-	-	-	6,980
	<b>3,068,974</b>	<b>150,683</b>	<b>60,438</b>	<b>1,564,741</b>	<b>236,060</b>	<b>91,730</b>	<b>420,372</b>	<b>1,315,350</b>	<b>6,908,348</b>
<b>Expenses</b>									
Salaries, wages and benefits	770,316	56,200	219,399	276,955	50,397	267,157	426,487	202,080	2,268,991
Contracted and general services	165,410	-	37,471	239,691	48,625	3,000	68,587	853,431	1,416,215
Materials, goods, supplies and utilities	118,991	97,504	424,745	684,608	5,137	205,187	437,210	47,527	2,020,909
Bank charges and short term interest	7,827	-	-	31,606	-	-	55	-	39,487
Interest on long term debt	1,469	-	-	-	-	11,165	-	-	12,635
Other expenditures	18,988	-	-	-	500	-	68,236	-	87,723
Transfers to organizations and others	-	-	-	-	209,551	-	-	-	209,551
Amortization of tangible capital assets	23,642	19,782	784,850	754,532	-	19,009	226,001	95,830	1,923,646
Loss on disposal of tangible capital assets	26,070	-	38,793	92,442	-	-	6,471	69,617	233,393
	<b>1,132,713</b>	<b>173,486</b>	<b>1,505,258</b>	<b>2,079,834</b>	<b>314,210</b>	<b>505,518</b>	<b>1,233,046</b>	<b>1,268,485</b>	<b>8,212,550</b>
<b>Deficiency of revenue over expenses before other</b>	<b>1,936,261</b>	<b>(22,803)</b>	<b>(1,444,820)</b>	<b>(515,093)</b>	<b>(78,150)</b>	<b>(413,788)</b>	<b>(812,674)</b>	<b>46,865</b>	<b>(1,304,202)</b>
<b>Other</b>									
Government transfers for capital	1,368,993	-	204,974	-	-	-	-	-	1,573,967
Contributed assets	-	-	-	-	-	859,507	-	-	859,507
	<b>1,368,993</b>	<b>-</b>	<b>204,974</b>	<b>-</b>	<b>-</b>	<b>859,507</b>	<b>-</b>	<b>-</b>	<b>2,433,474</b>
<b>Excess of revenue over expenses</b>	<b>\$ 3,305,254</b>	<b>\$ (22,803)</b>	<b>\$ (1,239,846)</b>	<b>\$ (515,093)</b>	<b>\$ (78,150)</b>	<b>\$ 445,719</b>	<b>\$ (812,674)</b>	<b>\$ 46,865</b>	<b>\$ 1,129,272</b>