

TOWN OF CARDSTON
Financial Statements
Year Ended December 31, 2021

TOWN OF CARDSTON
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Year Ended December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

These consolidated financial statements have been prepared from information provided by management. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based 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 is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council meets periodically with management and the external auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Council approves of the financial statements. The Council approves the appointment of the external auditors and reviews the monthly financial reports.

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



Mr. Jeff Shaw, CAO

Cardston, Alberta



INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Cardston

Opinion

We have audited the financial statements of Town of Cardston (the Town), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2021, and the results of its operations, change in its net financial debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Town in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Town's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continues)

Independent Auditor's Report to the Members of Town of Cardston *(continued)*

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Shawn Cook
Professional Corporation

Lethbridge, Alberta
April 26, 2022


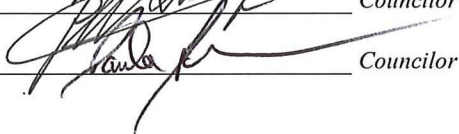
Chartered Professional Accountants



TOWN OF CARDSTON
Consolidated Statement of Financial Position
December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,851,889	\$ 2,121,165
Taxes and grants in places of taxes <i>(Note 3)</i>	116,940	115,649
Trade and other receivable <i>(Note 3)</i>	1,304,432	2,068,089
Land held for resale	409,407	409,407
Investments <i>(Note 4)</i>	5,657,398	3,051,777
	<u>9,340,066</u>	<u>7,766,087</u>
LIABILITIES		
Accounts payable and accrued liabilities	489,540	492,961
Employee benefit obligation <i>(Note 5)</i>	147,976	143,679
Deferred revenue <i>(Note 6)</i>	971,184	1,150,574
Long term debt <i>(Note 8)</i>	2,605,200	2,928,859
	<u>4,213,900</u>	<u>4,716,073</u>
NET FINANCIAL ASSETS	<u>5,126,166</u>	<u>3,050,014</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	2,803	38,938
Inventory for consumption	596,786	604,091
Tangible capital assets <i>(Schedule 2)</i>	51,730,858	52,140,448
	<u>52,330,447</u>	<u>52,783,477</u>
ACCUMULATED SURPLUS <i>(Schedule 1 and Note 11)</i>	<u>\$ 57,456,613</u>	<u>\$ 55,833,491</u>

Approved on behalf of Council:


 _____ Councilor

 _____ Councilor

TOWN OF CARDSTON
Consolidated Statement of Operations
Year Ended December 31, 2021

	Budget (Unaudited)	2021	2020
REVENUE			
User fees and sales of goods	\$ 6,702,290	\$ 7,225,722	\$ 6,753,155
Net municipal taxes (<i>Schedule 3</i>)	2,717,200	2,719,844	2,673,548
Government transfers for operating (<i>Schedule 4</i>)	1,118,375	1,090,552	2,673,766
Investment income	50,000	131,960	131,641
Franchise and concession contracts	141,100	132,703	128,478
Licenses and permits	35,900	39,283	37,050
Penalties and costs of taxes	25,000	25,271	18,115
Donations	-	-	316,333
	<u>10,789,865</u>	<u>11,365,335</u>	<u>12,732,086</u>
EXPENSES			
Legislative	159,850	139,212	108,020
Administration	1,366,914	1,162,483	1,007,582
Bylaw enforcement	230,220	215,304	171,920
Fire services	195,800	112,452	122,806
Emergency measures and disaster service	-	-	1,699,623
Ambulance services and first aid	4,600	4,581	4,581
Public Works	1,784,300	1,658,982	1,650,596
Wastewater treatment and disposal	1,170,633	986,992	899,184
Water supply and distribution	1,012,900	901,802	1,016,550
Waste management	360,150	345,793	328,120
Family and community support services	279,318	280,876	297,133
Other public health and welfare	500	500	500
Parks and recreation	2,228,397	2,030,820	1,974,251
Cemeteries and crematoriums	61,900	53,530	50,463
Land use planning and development	236,250	212,712	192,976
Economic and agricultural development	213,000	180,332	189,048
Culture - libraries, museums, halls	332,965	312,764	312,428
Electrical distribution	2,204,846	2,123,001	2,015,828
	<u>11,842,543</u>	<u>10,722,136</u>	<u>12,041,609</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	<u>(1,052,678)</u>	<u>643,199</u>	<u>690,477</u>
OTHER			
Government transfers for capital (<i>Schedule 4</i>)	3,465,554	997,084	2,037,179
Contributed assets	500,000	-	-
Gain (loss) on disposal of tangible capital assets	40,000	(17,161)	(511,416)
	<u>4,005,554</u>	<u>979,923</u>	<u>1,525,763</u>
EXCESS OF REVENUE OVER EXPENSES	<u>2,952,876</u>	<u>1,623,122</u>	<u>2,216,240</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>55,833,491</u>	<u>55,833,491</u>	<u>53,617,251</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 58,786,367</u>	<u>\$ 57,456,613</u>	<u>\$ 55,833,491</u>

TOWN OF CARDSTON**Consolidated Statement of Changes in Net Financial Assets (Debt)****Year Ended December 31, 2021**

	Budget (Unaudited)	2021	2020
EXCESS OF REVENUE OVER EXPENSES	\$ 2,952,876	\$ 1,623,122	\$ 2,216,240
Amortization of tangible capital assets	-	2,649,391	2,504,087
Acquisition of tangible capital assets	(6,932,754)	(2,287,962)	(6,909,574)
Acquisition of contributed assets	(500,000)	-	-
Proceeds on disposal of tangible capital assets	-	31,000	55,689
Loss (gain) on disposal of assets	(40,000)	17,161	511,416
	(7,472,754)	409,590	(3,838,382)
Use of prepaid expenses	-	36,136	(38,938)
Decrease (increase) in inventory for consumption	-	7,304	(17,585)
	-	43,440	(56,523)
	(7,472,754)	453,030	(3,894,905)
CHANGE IN NET FINANCIAL ASSETS	(4,519,878)	2,076,152	(1,678,665)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	3,050,014	3,050,014	4,728,679
NET FINANCIAL ASSETS, END OF YEAR	\$ (1,469,864)	\$ 5,126,166	\$ 3,050,014

TOWN OF CARDSTON
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING		
Excess of revenues over expenses	\$ 1,623,122	\$ 2,216,240
Non-cash items included in excess of revenues over expenses		
Amortization	2,649,391	2,504,087
Loss on disposal of tangible capital assets	17,161	511,416
	<u>4,289,674</u>	<u>5,231,743</u>
Changes in non-cash working capital:		
Trade and other receivable	763,657	(739,383)
Taxes and grants in places of taxes	(1,291)	(8,404)
Inventory for consumption	7,305	(17,586)
Accounts payable and accrued liabilities	(3,420)	153,233
Deferred revenue	(179,390)	267,823
Prepaid expenses	36,135	(38,938)
Land held for resale	-	50,082
Employee benefit obligation	4,297	13,083
	<u>627,293</u>	<u>(320,090)</u>
	<u>4,916,967</u>	<u>4,911,653</u>
CAPITAL		
Purchase of tangible capital assets	(2,287,962)	(6,909,574)
Proceeds on disposal of tangible capital assets	31,000	55,689
	<u>(2,256,962)</u>	<u>(6,853,885)</u>
INVESTING		
Purchase of investments	(3,635,922)	(1,876,279)
Proceeds on sale of investments	1,030,300	1,737,021
	<u>(2,605,622)</u>	<u>(139,258)</u>
FINANCING		
Proceeds from long term debt	-	2,692,120
Repayment of long-term debt	(323,659)	(258,226)
	<u>(323,659)</u>	<u>2,433,894</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	<u>(269,276)</u>	352,404
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>2,121,165</u>	1,768,761
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)	<u>\$ 1,851,889</u>	<u>\$ 2,121,165</u>

TOWN OF CARDSTON

Schedule of Changes in Accumulated Surplus

(Schedule 1)

Year Ended December 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
BALANCE, BEGINNING OF THE YEAR	\$ 967,741	\$ 5,654,161	\$ 49,211,589	\$ 55,833,491	\$ 53,617,251
Excess of revenues over expenses	1,623,122	-	-	1,623,122	2,216,240
Unrestricted funds designated for future use	(2,214,172)	2,214,172	-	-	-
Restricted funds used for operations	197,100	(197,100)	-	-	-
Restricted funds used for tangible capital assets	-	(326,001)	326,001	-	-
Current year funds used for tangible capital assets	(1,961,961)	-	1,961,961	-	-
Annual amortization expense	2,649,391	-	(2,649,391)	-	-
Long-term debt repaid	(323,659)	-	323,659	-	-
Disposal of tangible capital assets	48,161	-	(48,161)	-	-
Change in accumulated surplus	17,982	1,691,071	(85,931)	1,623,120	2,216,240
BALANCE, END OF THE YEAR	\$ 985,723	\$ 7,345,232	\$ 49,125,658	\$ 57,456,613	\$ 55,833,491

TOWN OF CARDSTON

Schedule of Tangible Capital Assets

Year Ended December 31, 2021

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
COST								
BALANCE, BEGINNING OF YEAR	\$ 2,054,568	\$ 2,913,647	\$ 10,588,594	\$ 73,777,813	\$ 9,457,470	\$ 1,624,622	\$ 100,416,714	\$ 94,277,050
Acquisition of tangible capital assets	-	16,454	-	1,533,378	511,982	-	2,061,814	6,832,984
Construction in-progress	-	-	201,785	24,363	-	-	226,148	76,590
Disposal of tangible capital assets	-	-	-	(149,758)	(103,054)	(61,000)	(313,812)	(769,910)
BALANCE, END OF YEAR	2,054,568	2,930,101	10,790,379	75,185,796	9,866,398	1,563,622	102,390,864	100,416,714
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	1,656,063	4,269,302	38,757,210	2,592,657	1,001,034	48,276,266	45,974,982
Annual amortization	-	129,015	227,184	1,532,458	648,804	111,930	2,649,391	2,504,087
Accumulated amortization on disposals	-	-	-	(119,791)	(84,860)	(61,000)	(265,651)	(202,803)
BALANCE, END OF YEAR	-	1,785,078	4,496,486	40,169,877	3,156,601	1,051,964	50,660,006	48,276,266
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,054,568	\$ 1,145,023	\$ 6,293,893	\$ 35,015,919	\$ 6,709,797	\$ 511,658	\$ 51,730,858	\$ 52,140,448
2020 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,054,568	\$ 1,257,584	\$ 6,379,426	\$ 34,960,467	\$ 6,864,813	\$ 623,590	\$ 52,140,448	

TOWN OF CARDSTON**Schedule of Property and Other Taxes****(Schedule 3)****Year Ended December 31, 2021**

	Budget (Unaudited)	2021	2020
TAXATION			
Real property taxes	\$ 3,716,479	\$ 3,688,588	\$ 3,627,265
Government grants in place of property taxes	-	28,061	27,222
	<u>3,716,479</u>	<u>3,716,649</u>	<u>3,654,487</u>
REQUISITIONS			
Alberta School Foundation Fund	925,779	925,779	909,625
Chinook Foundation	73,100	70,659	70,941
Designated industrial property	400	367	373
	<u>999,279</u>	<u>996,805</u>	<u>980,939</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 2,717,200</u>	<u>\$ 2,719,844</u>	<u>\$ 2,673,548</u>

TOWN OF CARDSTON
Schedule of Government Transfers
Year Ended December 31, 2021

(Schedule 4)

	Budget (Unaudited)	2021	2020
TRANSFERS FOR OPERATING			
Provincial Government	\$ 1,087,189	\$ 1,022,711	\$ 2,415,756
Other Local Government	31,186	67,841	258,010
	<u>1,118,375</u>	<u>1,090,552</u>	<u>2,673,766</u>
TRANSFERS FOR CAPITAL			
Provincial Government	714,500	537,246	2,027,179
Other Local Government	2,751,054	459,838	10,000
	<u>3,465,554</u>	<u>997,084</u>	<u>2,037,179</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 4,583,929</u>	<u>\$ 2,087,636</u>	<u>\$ 4,710,945</u>

TOWN OF CARDSTON**Schedule of Consolidated Expenses by Object
Year Ended December 31, 2021****(Schedule 5)**

	Budget (Unaudited)	2021	2020
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,199,250	\$ 2,942,710	\$ 2,966,111
Contracted and general services	3,351,163	2,785,414	4,460,050
Materials, goods and utilities	2,020,227	1,885,100	1,747,718
Transfers to local boards and agencies	251,993	223,869	239,421
Other expenses	281,401	126,237	31,614
Bank charges and short-term interest	12,900	17,885	22,838
Interest on long-term debt	233,909	91,530	69,770
Amortization of tangible capital assets	2,491,700	2,649,391	2,504,087
	<u>\$ 11,842,543</u>	<u>\$ 10,722,136</u>	<u>\$ 12,041,609</u>

TOWN OF CARDSTON
Schedule of Segmented Disclosure
Year Ended December 31, 2021

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health Services	Planning and development	Recreation and culture	Electrical	Total
REVENUE									
User fees and sales of goods	\$ 19,429	\$ 44,456	\$ 155,882	\$ 2,701,046	\$ 46,786	\$ 70,501	\$ 1,356,538	\$ 2,831,084	\$ 7,225,722
Net municipal taxes	2,719,844	-	-	-	-	-	-	-	2,719,844
Government transfers	769,699	-	120,884	701,804	253,012	34,923	207,314	-	2,087,636
Investment income	131,960	-	-	-	-	-	-	-	131,960
Franchise and concession contracts	132,703	-	-	-	-	-	-	-	132,703
Other revenues	49,033	9,105	-	-	450	5,966	-	-	64,554
	<u>3,822,668</u>	<u>53,561</u>	<u>276,766</u>	<u>3,402,850</u>	<u>300,248</u>	<u>111,390</u>	<u>1,563,852</u>	<u>2,831,084</u>	<u>12,362,419</u>
EXPENSES									
Salaries, wages and benefits	776,434	75,545	432,293	295,236	61,325	194,781	815,459	291,637	2,942,710
Contracted and general services	266,019	215,410	151,060	543,115	105,122	90,313	276,482	1,137,893	2,785,414
Materials, goods, and supplies	75,753	17,359	334,903	526,713	2,886	76,112	718,799	132,575	1,885,100
Transfers to local boards	28,796	-	-	-	165,073	30,000	-	-	223,869
Other expenses	123,899	-	-	-	500	1,838	-	-	126,237
Bank charges and short-term interest	9,568	-	-	-	-	-	8,317	-	17,885
Interest on long-term debt	-	-	-	2,790	-	-	-	88,740	91,530
	<u>1,280,469</u>	<u>308,314</u>	<u>918,256</u>	<u>1,367,854</u>	<u>334,906</u>	<u>393,044</u>	<u>1,819,057</u>	<u>1,650,845</u>	<u>8,072,745</u>
NET REVENUE BEFORE AMORTIZATION	<u>2,542,199</u>	<u>(254,753)</u>	<u>(641,490)</u>	<u>2,034,996</u>	<u>(34,658)</u>	<u>(281,654)</u>	<u>(255,205)</u>	<u>1,180,239</u>	<u>4,289,674</u>
(Gain) on disposal of TCA	17,161	-	-	-	-	-	-	-	17,161
Amortization expense	21,226	24,023	740,726	866,733	-	-	524,527	472,156	2,649,391
	<u>38,387</u>	<u>24,023</u>	<u>740,726</u>	<u>866,733</u>	<u>-</u>	<u>-</u>	<u>524,527</u>	<u>472,156</u>	<u>2,666,552</u>
NET REVENUE	<u>\$ 2,503,812</u>	<u>\$ (278,776)</u>	<u>\$ (1,382,216)</u>	<u>\$ 1,168,263</u>	<u>\$ (34,658)</u>	<u>\$ (281,654)</u>	<u>\$ (779,732)</u>	<u>\$ 708,083</u>	<u>\$ 1,623,122</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Cardston (the Town) are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus 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.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity.

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.

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

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.

(continues)

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

Tax Revenue

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

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

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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.

(continues)

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) 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:

	<u>Years</u>
Land improvements	10 - 30
Buildings	25 - 50
Engineered structures	5 - 80
Machinery and equipment	5 - 40
Vehicles	10 - 40

Amortization is recorded in the month that the asset is purchased and is prorated in the first and last year, based on the number of months used. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all 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 Financial Statements
Year Ended December 31, 2021

2. CASH AND TEMPORARY INVESTMENTS

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,573,286	\$ 679,646
Temporary investments	<u>278,603</u>	<u>1,441,519</u>
	<u>\$ 1,851,889</u>	<u>\$ 2,121,165</u>

Temporary investments are short-term deposits with original maturities of a year or less and consists of GIC's with an interest rate of 0.60% (2020 - \$1.25% to 1.95%). The investment matures in May 2022.

The Municipality has available a \$500,000 overdraft facility with 1st Choice Savings and Credit Union which bears interest at 2.45% per annum when in use. The overdraft is issued on the credit and security of the Municipality at large. There is no overdraft at year end (2020 - nil).

The Town has multiple demand lines of credit with 1st Choice Savings and Credit Union with a combined authorized limit of \$1.02 million which all bear interest at 2.45%, secured by a general agreement. There is nil (2020 - nil) balance on the lines of credit at year end.

Included in cash and temporary investments is a restricted amount of \$271,242 (2020 - \$445,408) received from various grant programs which are held exclusively for approved projects (Note 6).

3. RECEIVABLES

	<u>2021</u>	<u>2020</u>
Property taxes		
Taxes and grants in place of taxes receivables	\$ 81,250	\$ 72,293
Arrears	<u>35,690</u>	<u>43,356</u>
	<u>116,940</u>	<u>115,649</u>
Trade and other receivables		
Electrical and billed services	618,195	555,549
Grants	413,941	1,272,779
Miscellaneous	179,570	106,902
Accrued interest	61,586	29,777
Goods and Services Tax (GST)	31,140	103,082
	<u>1,304,432</u>	<u>2,068,089</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

4. INVESTMENTS

	2021 Cost	2021 Market value	2020 Cost	2020 Market value
Short-term notes and deposits	\$ 1,300,000	\$ 1,278,916	\$ 700,000	\$ 699,100
Principal protected notes	1,836,700	1,841,653	692,700	682,004
Long-term notes and deposits	2,516,787	2,509,303	1,655,166	1,742,542
UFA Equity	3,906	3,906	3,906	3,906
MUNIX (Note 16)	5	5	5	5
	<u>\$ 5,657,398</u>	<u>\$ 5,633,783</u>	<u>\$ 3,051,777</u>	<u>\$ 3,127,557</u>

Short-term notes and deposits have an effective interest rates between 2.02% to 2.89% (2020 - 2.89%) and mature in less than one year. Long-term notes and deposits have effective interest rates of 1.68% to 4.97% (2020 - 2.99% to 6.84%) and mature in periods between 2024 and 2033. Principal protected notes have guaranteed principal repayments and are cashable on demand, without penalty. Accrued interest on these principal protected notes is not realized until maturity and is based on the performance of the TSX index.

5. EMPLOYEE BENEFIT OBLIGATION

The employee benefit obligation is comprised of accrued vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

6. DEFERRED REVENUE

	2021	2020
Prepaid taxes	\$ 675,942	\$ 644,536
Municipal Sustainability Initiative - Capital	130,039	-
Municipal Stimulus Program	69,991	-
Family and Community Support Services	68,302	13,124
Deposits received	24,000	50,630
Alberta Historic Resources Foundation	2,910	2,910
Municipal Operating Support Transfer	-	335,877
Canada Heritage Grant	-	38,500
Alberta Community Partnership	-	35,923
Community Foundations	-	15,000
Water Study Grant	-	11,086
Federal Gas Tax Fund	-	2,988
	<u>\$ 971,184</u>	<u>\$ 1,150,574</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

7. CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities in 2021 (2020 - nil) as a result of this standard.

8. LONG TERM DEBT

	<u>2021</u>	<u>2020</u>
Wastewater Outfall Line Debenture - Capital	\$ -	\$ 170,970
Enmax Solar Panel Loans	<u>2,605,200</u>	<u>2,757,889</u>
	<u>\$ 2,605,200</u>	<u>\$ 2,928,859</u>

The current portion of long-term debt amounts to \$157,952 (2020 - \$323,659)

Principal repayment terms are approximately:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 157,952	\$ 86,710	\$ 244,662
2023	163,399	81,263	244,662
2024	169,037	75,626	244,662
2025	174,871	69,791	244,662
2026	180,909	63,753	244,662
Thereafter	<u>1,759,032</u>	<u>267,060</u>	<u>2,026,092</u>
	<u>\$ 2,605,200</u>	<u>\$ 644,203</u>	<u>\$ 3,249,402</u>

Debenture debt is repayable to the Alberta Capital Finance Authority which bears interest at 2.31% per annum and matured in 2021. 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 at large.

The loans from Enmax for the purchase of solar panels mature in 2032 and 2035 with annual payments of \$244,662 (including GST) at 2.00% and 3.50% interest per annum.

The total amount of interest recognized for long-term debt amounted to \$91,530 (2020 - \$69,770).

The Town's total cash payments for interest on long-term debt in 2021 were \$92,128 (2020 - \$62,186).

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

9. 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:

	<u>2021</u>	<u>2020</u>
Total debt limit	\$ 17,048,003	\$ 19,098,129
Total debt	<u>(2,605,200)</u>	<u>(2,928,859)</u>
Amount of debt limit unused	<u>14,442,803</u>	<u>16,169,270</u>
Debt servicing limit	2,841,334	3,183,022
Debt servicing	<u>(244,662)</u>	<u>(418,594)</u>
Amount of debt servicing limit unused	<u>2,596,672</u>	<u>2,764,428</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Tangible capital assets (Schedule 2)	\$ 102,390,864	\$ 100,416,714
Accumulated amortization (Schedule 2)	<u>(50,660,006)</u>	<u>(48,276,266)</u>
Long-term debt (Note 8)	<u>(2,605,200)</u>	<u>(2,928,859)</u>
	<u>\$ 49,125,658</u>	<u>\$ 49,211,589</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

11. ACCUMULATED SURPLUS

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

	<u>2021</u>	<u>2020</u>
Unrestricted surplus	\$ 985,723	\$ 967,741
Restricted surplus		
General government	2,433,145	1,516,488
Protective and emergency services	294,768	222,306
Public works and transportation	548,486	514,481
Environmental services: water	143,460	118,460
Environmental services: wastewater	117,590	108,700
Environmental services: garbage	160,770	108,270
Public health services	256,454	231,354
Planning and development	628,866	576,066
Parks, recreation and culture	2,009,061	1,484,066
Electrical	752,632	773,970
Equity in tangible capital assets	<u>49,125,658</u>	<u>49,211,589</u>
	<u>\$ 57,456,613</u>	<u>\$ 55,833,491</u>

12. BUDGET AMOUNTS

The 2021 budget for the Town was approved by Council on May 11, 2021 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 additions 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.

	<u>Budget</u>
Surplus per financial statements	\$ 2,952,876
Less: Capital expenses, net	(6,932,754)
Principal payments on debt	(230,946)
Transfer to reserves	(418,102)
Contributed assets	(500,000)
Add: Amortization	2,491,700
Proceeds from debt	96,500
Transfers from reserves	<u>2,540,726</u>
Equals approved budget	<u>\$ -</u>

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

13. SEGMENTED DISCLOSURE

The Town provides a range of services to its ratepayers. For each reported segment, revenues 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 financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

14. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative office and designated offices as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allowances (2)	2021	2020
Mayor Kronen	\$ 20,890	\$ -	\$ 20,890	\$ 20,275
Councilor Barnes	12,260	-	12,260	14,755
Councilor Bengry	11,495	27	11,522	13,293
Councilor Brown	14,850	629	15,479	14,672
Councilor Burton	3,438	55	3,493	-
Councilor Court	13,235	363	13,598	13,072
Councilor Drew	10,490	381	10,871	12,288
Councilor Grainger	3,438	-	3,438	-
Councilor Jensen	3,823	55	3,878	-
Councilor Kenly	2,673	40	2,713	-
Councilor Selk	13,175	527	13,702	15,256
Chief Administrative Officer	137,269	35,790	173,059	147,343
Designated officers (3 positions)	197,363	37,569	234,932	230,509

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

(2) 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, if any.

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

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 9.39% (2020 - 9.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% (2020 - 13.84%) on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2021 were \$174,674 (2020 - \$172,207). Total current service contributions by the employees of the Town to the LAPP in 2021 were \$157,538 (2020 - \$155,439).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$4.96 billion; the 2021 LAPP actuarial balance was not available at the date of this report.

16. COMMITMENTS AND CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the 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.

Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2021 the amount of accumulated sick leave was \$632,770 (2020 - \$667,964). 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.

The Town has ongoing agreements for electricity, recycling, and solid waste collection services.

TOWN OF CARDSTON
Notes to Financial Statements
Year Ended December 31, 2021

17. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, land for resale inventory, accounts payable and accrued liabilities, municipal line of credit, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year earnings.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.