

**TOWN OF CARSTAIRS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**TOWN OF CARSTAIRS
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the financial statements of the Town of Carstairs, which comprise of the statement of financial position as at, December 31, 2019 and the results of its operations and changes in its net financial assets (debt) and cash flows for the year then ended, and the 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 of Carstairs as at December 31, 2019, the results of its operations, changes in net financial assets (debt) and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

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 of Carstairs in accordance with the 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 these 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 the 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 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 Responsibility 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 the 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:



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- 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 the auditor's report. However future events or conditions may cause the Town to cease to continue to be 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 9.
- Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

**HANNA, ALBERTA
FEBRUARY 7, 2020**


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF CARSTAIRS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
<hr/>		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 2,926,374	\$ 3,776,309
Receivables		
Taxes and grants in place of taxes (Note 3)	347,997	308,744
Trade and other receivables	393,920	384,861
Receivables from other governments	464,294	73,977
Land inventory held for resale	<u>422,595</u>	<u>437,645</u>
	<u>4,555,180</u>	<u>4,981,536</u>
LIABILITIES		
Accounts payable and accrued liabilities	325,604	282,595
Deposit liabilities (Note 4)	16,100	15,300
Deferred revenue (Note 5)	100,786	50,642
Employee benefit obligations (Note 6)	203,073	184,802
Provision for landfill closure and post-closure costs (Note 7)	124,353	135,993
Long-term debt (Note 8)	<u>4,988,740</u>	<u>1,754,261</u>
	<u>5,758,656</u>	<u>2,423,593</u>
NET FINANCIAL ASSETS (DEBT)	<u>(1,203,476)</u>	<u>2,557,943</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	54,385,081	48,741,688
Prepaid expenses	<u>5,871</u>	<u>7,268</u>
	<u>54,390,952</u>	<u>48,748,956</u>
ACCUMULATED SURPLUS (Schedule 5, Note 11)	<u>\$ 53,187,476</u>	<u>\$ 51,306,899</u>
COMMITMENTS (SEE NOTE 15)		

TOWN OF CARSTAIRS
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
REVENUE			
Net municipal taxes (Schedule 2)	\$ 4,262,010	\$ 4,258,385	\$ 4,198,674
User fees and sale of goods	2,603,436	2,807,061	2,613,287
Government transfers for operating (Schedule 3)	540,041	534,501	566,938
Investment income	20,000	91,591	57,598
Penalties and costs on taxes	95,000	102,858	104,030
Licenses and permits	119,550	116,727	124,552
Franchise and concession contracts	455,000	465,719	429,685
Transfers from local boards and agencies	5,000	5,000	5,000
Gain on disposal of tangible capital assets		19,749	148
Other	<u>25,413</u>	<u>52,550</u>	<u>61,761</u>
Total Revenue	<u>8,125,450</u>	<u>8,454,141</u>	<u>8,161,673</u>
EXPENSES			
Legislative	346,960	351,290	354,392
Administration	744,076	790,069	837,023
Protective services	938,653	1,067,201	971,618
Transportation	901,087	2,258,017	2,224,281
Water supply and distribution	877,569	1,050,550	980,976
Wastewater treatment and disposal	243,772	487,038	512,163
Public health and welfare	431,151	431,448	435,985
Land use planning, zoning and development	219,965	226,673	188,670
Waste management	506,886	511,920	386,329
Subdivision land and development	207,923	266,908	193,785
Parks and recreation	1,321,773	1,774,834	1,432,215
Culture	<u>343,909</u>	<u>402,482</u>	<u>361,325</u>
Total Expenses	<u>7,083,724</u>	<u>9,618,430</u>	<u>8,878,762</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	1,041,726	(1,164,289)	(717,089)
Government transfers for capital (Schedule 3)		1,084,756	1,538,526
Contributed and donated assets		1,797,800	707,749
Capital donations and other revenue		16,295	13,826
Off site levies from developers		<u>146,015</u>	<u>184,417</u>
EXCESS OF REVENUE OVER EXPENSES	1,041,726	1,880,577	1,727,429
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>51,306,899</u>	<u>51,306,899</u>	<u>49,579,470</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 52,348,625</u>	<u>\$ 53,187,476</u>	<u>\$ 51,306,899</u>

TOWN OF CARSTAIRS
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget (Unaudited)	2019	2018
EXCESS OF REVENUE OVER EXPENSES	\$ <u>1,041,726</u>	\$ <u>1,880,577</u>	\$ <u>1,727,429</u>
Acquisition of tangible capital assets	(4,524,430)	(5,966,170)	(2,305,684)
Contributed and donated assets		(1,797,800)	(707,749)
Proceeds on sale of tangible capital assets		60,874	3,000
Amortization of tangible capital assets		2,035,229	1,925,918
Loss (gain) on sale of tangible capital assets	<u> </u>	<u>24,474</u>	<u>84,748</u>
	<u>(4,524,430)</u>	<u>(5,643,393)</u>	<u>(999,767)</u>
Change in in prepaid expenses	<u> </u>	<u>1,397</u>	<u>7,579</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(3,482,704)	(3,761,419)	735,241
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>2,557,943</u>	<u>2,557,943</u>	<u>1,822,702</u>
NET FINANCIAL ASSETS (DEBT), END OF YEAR	\$ <u><u>(924,761)</u></u>	\$ <u><u>(1,203,476)</u></u>	\$ <u><u>2,557,943</u></u>

TOWN OF CARSTAIRS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 1,880,577	\$ 1,727,429
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	2,035,229	1,925,918
Loss (gain) on sale of tangible capital assets	24,474	84,748
Tangible capital assets received as contributions	<u>(1,797,800)</u>	<u>(707,749)</u>
	2,142,480	3,030,346
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	(39,253)	28,852
Decrease(increase) in trade and other receivables	(9,059)	(8,770)
Decrease(increase) in receivables from other governments	(390,317)	(28,742)
Decrease in land inventory held for resale	15,050	
Decrease(increase) in prepaid expenses	1,397	7,579
Increase(decrease) in accounts payable and accrued liabilities	43,009	(59,734)
Increase(decrease) in deposit liabilities	800	(12,595)
Increase(decrease) in deferred revenue	50,144	5,058
Increase(decrease) in employee benefit obligations	18,271	109
Increase(decrease) in provision for landfill post-closure care liability	<u>(11,640)</u>	<u>(10,911)</u>
Cash provided by (applied to) operating transactions	<u>1,820,882</u>	<u>2,951,192</u>
CAPITAL		
Acquisition of tangible capital assets	(5,966,170)	(2,305,684)
Proceeds on sale of tangible capital assets	<u>60,874</u>	<u>3,000</u>
Cash provided by (applied to) capital transactions	<u>(5,905,296)</u>	<u>(2,302,684)</u>
FINANCING		
Proceeds from loans	4,159,504	750,000
Repayment on loans	<u>(925,025)</u>	<u>(510,124)</u>
Cash provided by (applied to) financing transactions	<u>3,234,479</u>	<u>239,876</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(849,935)	888,384
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,776,309</u>	<u>2,887,925</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,926,374</u>	<u>\$ 3,776,309</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	\$ 2,926,374	\$ 3,776,309
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,926,374</u>	<u>\$ 3,776,309</u>

TOWN OF CARSTAIRS
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2019	2018
COST:								
BALANCE, BEGINNING OF YEAR	\$ 3,485,593	\$ 3,235,700	\$ 8,896,867	\$ 52,171,018	\$ 2,205,516	\$ 1,632,623	\$ 71,627,317	\$ 68,881,684
Acquisition of tangible capital assets	656,579	428,590	135,656	2,541,150	442,302	99,691	4,303,968	3,013,432
Construction-in-progress		10,000		3,450,000			3,460,000	
Disposal of tangible capital assets			(549)	(117,389)	(10,000)	(65,281)	(193,219)	(267,799)
BALANCE, END OF YEAR	<u>4,142,172</u>	<u>3,664,290</u>	<u>9,041,974</u>	<u>58,044,779</u>	<u>2,637,818</u>	<u>1,667,033</u>	<u>79,198,066</u>	<u>71,627,317</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		965,855	2,541,257	17,805,439	1,098,046	475,032	22,885,629	21,139,763
Annual amortization		138,151	169,172	1,448,441	180,843	98,622	2,035,229	1,925,918
Accumulated amortization on disposals			(137)	(73,167)	(9,000)	(25,569)	(107,873)	(180,052)
BALANCE, END OF YEAR		<u>1,104,006</u>	<u>2,710,292</u>	<u>19,180,713</u>	<u>1,269,889</u>	<u>548,085</u>	<u>24,812,985</u>	<u>22,885,629</u>
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 4,142,172</u>	<u>\$ 2,560,284</u>	<u>\$ 6,331,682</u>	<u>\$ 38,864,066</u>	<u>\$ 1,367,929</u>	<u>\$ 1,118,948</u>	<u>\$ 54,385,081</u>	<u>\$ 48,741,688</u>
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 3,485,593</u>	<u>\$ 2,269,845</u>	<u>\$ 6,355,610</u>	<u>\$ 34,365,579</u>	<u>\$ 1,107,470</u>	<u>\$ 1,157,591</u>	<u>\$ 48,741,688</u>	

TOWN OF CARSTAIRS
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 2

	Budget (Unaudited)	2019	2018
TAXATION			
Residential land and improvement taxes	\$ 5,922,829	\$ 5,919,204	\$ 5,767,407
Non-residential linear property taxes	134,427	134,427	125,450
Residential grants in place of property taxes	<u>11,897</u>	<u>11,897</u>	<u>11,409</u>
	<u>6,069,153</u>	<u>6,065,528</u>	<u>5,904,266</u>
REQUISITIONS			
Alberta School Foundation Fund	1,650,644	1,650,644	1,604,565
Mountain View Foundation	<u>156,499</u>	<u>156,499</u>	<u>101,027</u>
	<u>1,807,143</u>	<u>1,807,143</u>	<u>1,705,592</u>
NET MUNICIPAL TAXES	<u>\$ 4,262,010</u>	<u>\$ 4,258,385</u>	<u>\$ 4,198,674</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 3

	Budget (Unaudited)	2019	2018
TRANSFERS FOR OPERATING			
Provincial government	\$ 159,180	\$ 175,303	\$ 166,843
Federal government		2,000	36,000
Local governments	<u>380,861</u>	<u>357,198</u>	<u>364,095</u>
	<u>540,041</u>	<u>534,501</u>	<u>566,938</u>
TRANSFERS FOR CAPITAL			
Provincial government		1,051,027	1,504,776
Local governments		<u>33,729</u>	<u>33,750</u>
		<u>1,084,756</u>	<u>1,538,526</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 540,041</u>	<u>\$ 1,619,257</u>	<u>\$ 2,105,464</u>

TOWN OF CARSTAIRS
SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 4

	Budget (Unaudited)	2019	2018
EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,386,505	\$ 3,432,625	\$ 3,006,448
Contracted and general services	1,768,533	1,978,617	1,768,771
Materials, goods, supplies and utilities	1,455,616	1,464,162	1,592,316
Provision for allowances	2,000	18,795	28
Transfers to individuals and organizations	465,070	546,169	439,554
Bank charges and short term interest	6,000	2,842	4,513
Interest on capital long term debt		95,768	56,318
Amortization of tangible capital assets		2,035,229	1,925,918
Loss on disposal of tangible capital assets		44,223	84,896
	<u>\$ 7,083,724</u>	<u>\$ 9,618,430</u>	<u>\$ 8,878,762</u>

TOWN OF CARSTAIRS
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2019	2018
BALANCE, BEGINNING OF YEAR	\$ 210,022	\$ 4,109,450	\$ 46,987,427	\$ 51,306,899	\$ 49,579,470
Excess of revenues over expenses	1,880,577			1,880,577	1,727,429
Unrestricted funds designated for future use	(339,357)	339,357			
Restricted funds used for operations	118,569	(118,569)			
Restricted funds used for tangible capital assets	(787,596)	(1,019,068)	1,019,068		
Current year funds used for tangible capital assets	(1,797,800)		787,596		
Contributed tangible capital assets	85,346		1,797,800		
Disposal of tangible capital assets	2,035,229		(85,346)		
Annual amortization expense	(925,025)		(2,035,229)		
Long term debt repaid			925,025		
Change in accumulated surplus	269,943	(798,280)	2,408,914	1,880,577	1,727,429
BALANCE, END OF YEAR	\$ 479,965	\$ 3,311,170	\$ 49,396,341	\$ 53,187,476	\$ 51,306,899

TOWN OF CARSTAIRS
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Community Services	Total
REVENUE								
Net municipal taxes	\$ 4,258,385	\$	\$	\$	\$	\$	\$	\$ 4,258,385
User fees and sales of goods	32,806	192,453		112,100	378,416	1,998,196	93,090	2,807,061
Government transfers	39,541	147,313	594,208		253,513	460,704	123,978	1,619,257
Investment income	30,239	6,822	9,462		5,268	39,800		91,591
Penalties	102,858							102,858
Licenses and permits	24,675	2,875		89,177				116,727
Franchise fees	465,719							465,719
Transfers from local boards					5,000			5,000
Gain on disposal		18,888			861			19,749
Contributed assets			383,867	330		1,413,603		1,797,800
Other revenues	1,335	8,041	22,203		27,240	156,041		214,860
	<u>4,955,558</u>	<u>376,392</u>	<u>1,009,740</u>	<u>201,607</u>	<u>670,298</u>	<u>4,068,344</u>	<u>217,068</u>	<u>11,499,007</u>
EXPENSES								
Salaries & wages	582,648	512,783	444,258	285,014	957,258	481,320	169,344	3,432,625
Contract & general services	431,294	345,572	179,680	188,869	377,405	359,483	96,314	1,978,617
Goods & supplies	35,160	98,219	295,155	18,636	277,961	726,988	12,043	1,464,162
Provision for allowances	18,795							18,795
Transfers to organizations		27,508			225,052	141,309	152,300	546,169
Bank charges and interest	2,842	1,148	66,712		8,773	19,135		2,842
Interest on long-term debt						44,221		95,768
Loss on disposal			2					44,223
	<u>1,070,739</u>	<u>985,230</u>	<u>985,807</u>	<u>492,519</u>	<u>1,846,449</u>	<u>1,772,456</u>	<u>430,001</u>	<u>7,583,201</u>
NET REVENUE, BEFORE AMORTIZATION	<u>3,884,819</u>	<u>(608,838)</u>	<u>23,933</u>	<u>(290,912)</u>	<u>(1,176,151)</u>	<u>2,295,888</u>	<u>(212,933)</u>	<u>3,915,806</u>
Amortization expense	<u>70,620</u>	<u>81,971</u>	<u>1,272,210</u>	<u>1,062</u>	<u>330,867</u>	<u>277,052</u>	<u>1,447</u>	<u>2,035,229</u>
NET REVENUE	<u>\$ 3,814,199</u>	<u>\$ (690,809)</u>	<u>\$ (1,248,277)</u>	<u>\$ (291,974)</u>	<u>\$ (1,507,018)</u>	<u>\$ 2,018,836</u>	<u>\$ (214,380)</u>	<u>\$ 1,880,577</u>

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Carstairs are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

a) Reporting Entity

The 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 Town 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.

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 Public Sector Accounting Standards 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.

Significant financial statement areas requiring the use of management estimates include:

- Landfill post-closure liability;
- Employee benefits obligations;
- Useful life of tangible capital assets;
- Accrued liabilities
- Fair value of contributed tangible capital assets

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

e) 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.

f) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

g) 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.

h) 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 tangible capital assets under the respective function.

i) Prepaid Local Improvement Charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charges, 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 borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1.. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

k) Net Municipal Taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act (MGA) and tax rates established annually by Town Council. Taxation revenues are recorded at the time the tax billings are issued. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gain or losses on assessment changes or appeals are recorded as adjustments to tax revenue and receivables when a written decision is received from the authorized board or a change is generated by the authorized assessor.

l) 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.

m) Contributions

Developer contributions received from third parties are recognized as revenue when the related expenditures have been incurred.

n) 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 Change in Net Financial Assets for the year.

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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
Land improvements	10-25
Buildings	25-50
Engineering structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-75
Machinery and equipment	5-40
Vehicles	10-25

In the year of acquisition of a capital asset, annual amortization is charged based on the number of months owned. 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 such as privately developed subdivisions including water systems, sanitary systems, storm systems, and roads are recorded at fair value at the date of receipt. Equivalent amounts are recorded as revenue for the year on the Statement of Operations.

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.

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. CASH AND TEMPORARY INVESTMENTS

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,425,722	\$ 1,353,630
Temporary investments	<u>1,500,652</u>	<u>2,422,679</u>
	<u>\$ 2,926,374</u>	<u>\$ 3,776,309</u>

Temporary investments are comprised of term deposits bearing interest between 2.19% and 2.83%, maturing in February 2020 and November 2020.

Of the cash and temporary investments \$28,769 (2018 - \$50,642) is considered restricted cash and not available for general use as it relates to conditional government grant revenue and other conditional contributions, that have not yet been expended for the purposes intended.

Of the cash and temporary investments \$16,100 (2018 - \$15,300) is considered restricted cash and not available for general use as it relates to deposits received.

The Town has two revolving lines of credit with ATB Financial totaling \$1,000,000 interest at prime rate less 0.25%. As of December 31, 2019, \$0 was outstanding on the revolving lines of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2019</u>	<u>2018</u>
Current taxes and grants in place receivables	\$ 244,505	\$ 216,132
Arrears taxes	<u>103,492</u>	<u>92,612</u>
	<u>\$ 347,997</u>	<u>\$ 308,744</u>

4. DEPOSIT LIABILITIES

The Town maintains utility and rental deposits of \$16,100 (2018 - \$15,300).

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. DEFERRED REVENUE

	<u>2019</u>	<u>2018</u>
Municipal Sustainability Initiative - Capital	\$ 72,017	\$ 20,914
Donations - Skateboard Park	20,914	5,278
Donations and unearned revenue	7,855	24,450
Alberta Community Partnership Program	<u>100,786</u>	<u>50,642</u>

Municipal Sustainability Initiative - Capital

Provincial government funding was received or considered receivable in the current year to undertake certain eligible project expenses within the Town that have not yet been expended.

Donations - Skateboard Park

Donations have been received by the Town, which have not yet been spent, to fund the construction of a skateboard park in the community.

Donations and unearned revenue

Certain contributions and fees were received by the Town, which have not yet been earned or are restricted for use in certain projects within the Town, which have not yet been expended.

6. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2019</u>	<u>2018</u>
Vacation pay payable	\$ 42,353	\$ 51,271
Vested sick leave payable	<u>160,720</u>	<u>133,531</u>
	<u>\$ 203,073</u>	<u>\$ 184,802</u>

Vacation pay payable

The vacation 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.

Vested sick leave payable

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred to future years.

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

The Town has not designated assets for settling closure and post-closure liabilities.

	<u>2019</u>	<u>2018</u>
Estimated post-closure costs	\$ <u>124,353</u>	\$ <u>135,993</u>

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
Tax supported debentures	\$ 251,867	\$ 308,043
Tax supported loans	4,084,938	1,446,218
Obligations under capital lease	<u>651,935</u>	<u> </u>
	<u>\$ 4,988,740</u>	<u>\$ 1,754,261</u>

The current portion of the long-term debt amounts to \$1,079,722 (2018 - \$322,014)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,079,722	\$ 175,687	\$ 1,255,409
2021	1,085,115	133,953	1,219,068
2022	1,050,982	92,373	1,143,355
2023	1,020,132	52,765	1,072,897
2024	<u>752,789</u>	<u>15,283</u>	<u>768,072</u>
	<u>\$ 4,988,740</u>	<u>\$ 470,061</u>	<u>\$ 5,458,801</u>

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates of 4.65% matures in 2023.

The ATB Financial municipal loans bear interest at bank prime and at bank prime less 0.25% and are repayable in annual principal payments of \$22,500, \$35,000, \$75,000, \$200,000, and \$350,000 plus monthly interest payments.

The Bank of Montreal loans bears interest at bank prime less 0.25% and are repayable in annual principal payments of \$133,333 and \$82,000 plus interest.

The John Deere Financial Inc. lease obligation is repayable in monthly instalments of \$2,930 including interest at 4.99%. The monthly payments are made from May to October annually and no payments are due November to April annually. The lease obligation is secured by certain capital equipment.

The De Lage Landen Financial Services Canada Inc. lease obligation is repayable in monthly instalments of \$7,670 including interest at 5.57%. The monthly payments are made from May to October annually and no payments are due November to April annually. The lease obligation is secured by certain capital equipment.

Debenture and bank debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$95,768 (2018 - \$56,318).

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 of Carstairs be disclosed as follows:

	<u>2019</u>	<u>2018</u>
Total debt limit	\$ 12,651,588	\$ 12,242,288
Total debt	<u>4,988,740</u>	<u>1,754,261</u>
Amount of debt limit unused	<u>\$ 7,662,848</u>	<u>\$ 10,488,027</u>
Debt servicing limit	\$ 2,108,598	\$ 2,040,381
Debt servicing	<u>1,079,722</u>	<u>389,769</u>
Amount of debt servicing limit unused	<u>\$ 1,028,876</u>	<u>\$ 1,650,612</u>

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

10. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Tangible capital assets	\$ 79,198,066	\$ 71,627,317
Accumulated amortization	(24,812,985)	(22,885,629)
Long-term debt (Note 8)	<u>(4,988,740)</u>	<u>(1,754,261)</u>
	<u>\$ 49,396,341</u>	<u>\$ 46,987,427</u>

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

11. ACCUMULATED SURPLUS

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ 479,965	\$ 210,022
Restricted surplus:		
Operating		
Policing	172,332	172,332
Cemetery	37,500	
Capital		
Water offsite levies	484,883	446,511
Wastewater offsite levies	610,695	679,184
Storm sewers and drainage offsite levies	217,503	336,103
Fire	394,267	340,417
Transportation	518,214	755,721
Water	155,912	455,912
Wastewater	177,003	551,003
Waste management	32,772	21,132
Cemetery	105,995	94,425
Recreation	247,840	144,080
Community hall	4,483	10,859
Stone Garden maintenance	10,000	10,000
General capital contingency	141,771	91,771
Equity in tangible capital assets	<u>49,396,341</u>	<u>46,987,427</u>
	<u>\$ 53,187,476</u>	<u>\$ 51,306,899</u>

12. SEGMENTED DISCLOSURE

The Town of Carstairs provides a range of services to its ratepayers. For each reported segment, revenues and expenses represents 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 the followed in the preparation of the financial statements as disclosed in Note 1.

Refer to Schedule of Segmented Disclosure (Schedule 6)

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

13. SALARY AND BENEFITS

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

	2019			2018
	Salary	Benefits & allowances	Total	Total
Councillors:				
Mayor Colby	\$ 25,760	\$	\$ 25,760	\$ 23,811
Councillor Allan	19,835	833	20,668	18,235
Councillor Blair	22,411	964	23,375	20,689
Councillor Gil	19,835		19,835	17,820
Councillor Green	19,835		19,835	17,820
Councillor Ratz	19,835	833	20,668	18,235
Councillor Wilcox	19,835	833	20,668	18,235
Chief Administrative Officer	193,126	30,490	223,616	203,884

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.

14. 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% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2019 were \$255,384 (2018 - \$231,150). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2019 were \$230,548 (2018 - \$210,619).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion. This amount is not specifically allocated to the participating government organizations. The 2019 actuarial balance was not available at the date these financial statements were released.

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

15.COMMITMENTS

The Town is a 16.66% equity member of the The Mountain View Regional Water Services Commission which was constituted under the Municipal Government Act in 1992.

The Town is an 11% equity member of The Mountain View Regional Waste Management Commission which was constituted under the Municipal Government Act in 2001.

16.FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, temporary bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, 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 instrument approximates fair value.

17.BUDGET AMOUNTS

The 2019 budget for the Town was approved by council and has been reported in these financial statement for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

18.COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

19.APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.
