

**TOWN OF CARSTAIRS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**TOWN OF CARSTAIRS
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	2 - 3
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Schedule of Tangible Capital Assets	8
Schedule of Property and Other Taxes	9
Schedule of Government Transfers	9
Schedule of Consolidated Expenses by Object	10
Schedule of Changes in Accumulated Surplus	11
Schedule of Segmented Disclosure	12
Notes to Financial Statements	13 - 23



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council:

Opinion

We have audited the consolidated financial statements of the Town of Carstairs, which comprise of the statement of financial position as at, December 31, 2018 and the results of its operations and changes in net financial assets 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 consolidated financial statements present fairly, in all material respects, the financial position of the Town of Carstairs as at December 31, 2018, the results of its operations, changes in net financial assets 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 Consolidated 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 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 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 Consolidated 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 8, 2019**


CHARTERED PROFESSIONAL ACCOUNTANTS

TOWN OF CARSTAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	2018	2017
<hr/>		
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 3,776,309	\$ 2,887,925
Receivables		
Taxes and grants in place of taxes (Note 3)	308,744	337,596
Trade and other receivables	384,861	376,091
Receivables from other governments	73,977	45,235
Land inventory held for resale	<u>437,645</u>	<u>437,645</u>
	<u>4,981,536</u>	<u>4,084,492</u>
LIABILITIES		
Accounts payable and accrued liabilities	282,595	342,329
Deposit liabilities (Note 4)	15,300	27,895
Deferred revenue (Note 5)	50,642	45,584
Employee benefit obligations (Note 6)	184,802	184,693
Provision for landfill closure and post-closure costs (Note 7)	135,993	146,904
Long-term debt (Note 8)	<u>1,754,261</u>	<u>1,514,385</u>
	<u>2,423,593</u>	<u>2,261,790</u>
NET FINANCIAL ASSETS	<u>2,557,943</u>	<u>1,822,702</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	48,741,688	47,741,921
Prepaid expenses	<u>7,268</u>	<u>14,847</u>
	<u>48,748,956</u>	<u>47,756,768</u>
ACCUMULATED SURPLUS (Schedule 5, Note 11)	<u>\$ 51,306,899</u>	<u>\$ 49,579,470</u>
COMMITMENTS (SEE NOTE 15)		

TOWN OF CARSTAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
REVENUE			
Net municipal taxes (Schedule 2)	\$ 4,198,751	\$ 4,198,674	\$ 4,037,087
User fees and sale of goods	2,563,897	2,613,287	2,537,093
Government transfers for operating (Schedule 3)	493,141	566,938	451,270
Investment income	22,550	57,598	40,005
Penalties and costs on taxes	75,000	104,030	91,132
Licenses and permits	118,000	124,552	148,119
Franchise and concession contracts	392,000	429,685	439,061
Transfers from local boards and agencies	5,000	5,000	5,000
Gain on disposal of tangible capital assets		148	41,227
Other	<u>24,000</u>	<u>61,761</u>	<u>83,875</u>
Total Revenue	<u>7,892,339</u>	<u>8,161,673</u>	<u>7,873,869</u>
EXPENSES			
Legislative	321,355	354,390	352,587
Administration	699,859	836,619	737,968
Protective services	1,102,374	948,984	1,253,864
Transportation	854,024	2,224,711	1,872,978
Water supply and distribution	871,705	980,976	1,096,719
Wastewater treatment and disposal	329,438	512,163	341,872
Public health and welfare	453,212	379,619	343,439
Land use planning, zoning and development	311,896	370,622	343,920
Waste management	414,896	386,329	392,949
Subdivision land and development	198,357	193,785	244,975
Parks and recreation	1,221,585	1,329,239	1,315,136
Culture	<u>308,555</u>	<u>361,325</u>	<u>337,263</u>
Total Expenses	<u>7,087,256</u>	<u>8,878,762</u>	<u>8,633,670</u>
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	805,083	(717,089)	(759,801)
Government transfers for capital (Schedule 3)	891,574	1,538,526	1,063,503
Contributed and donated assets		707,749	2,169,576
Capital donations and other revenue		13,826	296,022
Off site levies from developers	<u>173,000</u>	<u>184,417</u>	<u>441,704</u>
EXCESS OF REVENUE OVER EXPENSES	1,869,657	1,727,429	3,211,004
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>49,579,470</u>	<u>49,579,470</u>	<u>46,368,466</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 51,449,127</u>	<u>\$ 51,306,899</u>	<u>\$ 49,579,470</u>

TOWN OF CARSTAIRS
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	2018	2017
EXCESS OF REVENUE OVER EXPENSES	\$ <u>1,869,657</u>	\$ <u>1,727,429</u>	\$ <u>3,211,004</u>
Acquisition of tangible capital assets	(3,776,000)	(2,305,684)	(1,401,722)
Contributed and donated assets		(707,749)	(2,169,576)
Proceeds on sale of tangible capital assets		3,000	104,838
Amortization of tangible capital assets		1,925,918	1,776,724
Loss (gain) on sale of tangible capital assets	<u> </u>	<u>84,748</u>	<u>4,341</u>
	<u>(3,776,000)</u>	<u>(999,767)</u>	<u>(1,685,395)</u>
Change in in prepaid expenses	<u> </u>	<u>7,579</u>	<u>5,183</u>
INCREASE IN NET FINANCIAL ASSETS	1,906,343	735,241	1,530,792
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>1,822,702</u>	<u>1,822,702</u>	<u>291,910</u>
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ (83,641)</u>	<u>\$ 2,557,943</u>	<u>\$ 1,822,702</u>

TOWN OF CARSTAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
NET INFLOW(OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	\$ 1,727,429	\$ 3,211,004
Non-cash items included in excess(shortfall) of revenues over expenses:		
Amortization	1,925,918	1,776,724
Loss (gain) on sale of tangible capital assets	84,748	4,341
Tangible capital assets received as contributions	<u>(707,749)</u>	<u>(2,169,576)</u>
	3,030,346	2,822,493
Changes in net financial asset(debt) items:		
Decrease(increase) in taxes and grants in place of taxes receivable	28,852	(38,856)
Decrease(increase) in trade and other receivables	(8,770)	56,072
Decrease(increase) in receivables from other governments	(28,742)	13,933
Decrease in land inventory held for resale		(109,120)
Decrease(increase) in prepaid expenses	7,579	5,183
Increase(decrease) in accounts payable and accrued liabilities	(59,734)	67,500
Increase(decrease) in deposit liabilities	(12,595)	1,100
Increase(decrease) in deferred revenue	5,058	(185,426)
Increase(decrease) in employee benefit obligations	109	17,149
Increase(decrease) in provision for landfill post-closure care liability	<u>(10,911)</u>	<u>(10,220)</u>
Cash provided by (applied to) operating transactions	<u>2,951,192</u>	<u>2,639,808</u>
CAPITAL		
Acquisition of tangible capital assets	(2,305,684)	(1,401,722)
Proceeds on sale of tangible capital assets	<u>3,000</u>	<u>104,838</u>
Cash provided by (applied to) capital transactions	<u>(2,302,684)</u>	<u>(1,296,884)</u>
FINANCING		
Proceeds from loans	750,000	
Repayment on loans	<u>(510,124)</u>	<u>(430,410)</u>
Cash provided by (applied to) financing transactions	<u>239,876</u>	<u>(430,410)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	888,384	912,514
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,887,925</u>	<u>1,975,411</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,776,309</u>	<u>\$ 2,887,925</u>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	<u>\$ 3,776,309</u>	<u>\$ 2,887,925</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,776,309</u>	<u>\$ 2,887,925</u>

TOWN OF CARSTAIRS
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 1

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2018	2017
COST:								
BALANCE, BEGINNING OF YEAR	\$ 3,479,513	\$ 3,229,204	\$ 8,856,248	\$ 49,683,946	\$ 2,043,839	\$ 1,588,934	\$ 68,881,684	\$ 65,732,017
Acquisition of tangible capital assets	6,080	36,470	40,619	2,674,978	211,596	43,689	3,013,432	3,571,299
Disposal of tangible capital assets		(29,974)		(187,906)	(49,919)		(267,799)	(421,632)
BALANCE, END OF YEAR	<u>3,485,593</u>	<u>3,235,700</u>	<u>8,896,867</u>	<u>52,171,018</u>	<u>2,205,516</u>	<u>1,632,623</u>	<u>71,627,317</u>	<u>68,881,684</u>
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR		854,073	2,376,474	16,546,301	986,308	376,607	21,139,763	19,675,491
Annual amortization		138,759	164,783	1,370,079	153,872	98,425	1,925,918	1,776,724
Accumulated amortization on disposals		(26,977)		(110,941)	(42,134)		(180,052)	(312,452)
BALANCE, END OF YEAR		<u>965,855</u>	<u>2,541,257</u>	<u>17,805,439</u>	<u>1,098,046</u>	<u>475,032</u>	<u>22,885,629</u>	<u>21,139,763</u>
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>	<u>\$ 47,741,921</u>
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	<u>\$ 3,479,513</u>	<u>\$ 2,375,131</u>	<u>\$ 6,479,774</u>	<u>\$ 33,137,645</u>	<u>\$ 1,057,531</u>	<u>\$ 1,212,327</u>	<u>\$ 47,741,921</u>	

TOWN OF CARSTAIRS
SCHEDULE OF PROPERTY AND OTHER TAXES
FOR THE YEAR ENDED DECEMBER 31, 2018
Schedule 2

	Budget (Unaudited)	2018	2017
TAXATION			
Residential land and improvement taxes	\$ 5,774,132	\$ 5,767,407	\$ 5,466,307
Non-residential linear property taxes	118,802	125,450	125,019
Residential grants in place of property taxes	<u>11,409</u>	<u>11,409</u>	<u>11,722</u>
	<u>5,904,343</u>	<u>5,904,266</u>	<u>5,603,048</u>
REQUISITIONS			
Alberta School Foundation Fund	1,604,565	1,604,565	1,482,028
Mountain View Foundation	<u>101,027</u>	<u>101,027</u>	<u>83,933</u>
	<u>1,705,592</u>	<u>1,705,592</u>	<u>1,565,961</u>
NET MUNICIPAL TAXES	<u>\$ 4,198,751</u>	<u>\$ 4,198,674</u>	<u>\$ 4,037,087</u>

SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2018
Schedule 3

	Budget (Unaudited)	2018	2017
TRANSFERS FOR OPERATING			
Provincial government	\$ 146,505	\$ 166,843	\$ 130,615
Federal government		36,000	2,500
Local governments	<u>346,636</u>	<u>364,095</u>	<u>318,155</u>
	<u>493,141</u>	<u>566,938</u>	<u>451,270</u>
TRANSFERS FOR CAPITAL			
Provincial government	880,324	1,504,776	1,052,253
Local governments	<u>11,250</u>	<u>33,750</u>	<u>11,250</u>
	<u>891,574</u>	<u>1,538,526</u>	<u>1,063,503</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,384,715</u>	<u>\$ 2,105,464</u>	<u>\$ 1,514,773</u>

TOWN OF CARSTAIRS
SCHEDULE OF CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 4

	Budget (Unaudited)	2018	2017
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 3,162,776	\$ 3,006,448	\$ 3,048,695
Contracted and general services	2,037,175	1,768,771	1,977,759
Materials, goods, supplies and utilities	1,500,830	1,592,316	1,296,926
Provision for allowances	2,040	28	7,350
Transfers to individuals and organizations	319,267	439,554	416,599
Bank charges and short term interest	6,040	4,513	3,722
Interest on capital long term debt	59,128	56,318	60,327
Amortization of tangible capital assets		1,925,918	1,776,724
Loss on disposal of tangible capital assets		84,896	45,568
	<u>\$ 7,087,256</u>	<u>\$ 8,878,762</u>	<u>\$ 8,633,670</u>

TOWN OF CARSTAIRS
SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 5

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
BALANCE, BEGINNING OF YEAR	\$ 53,053	\$ 3,298,881	\$ 46,227,536	\$ 49,579,470	\$ 46,368,466
Excess of revenues over expenses	1,727,429			1,727,429	3,211,004
Unrestricted funds designated for future use	(902,966)	902,966			
Restricted funds used for operations	45,714	(45,714)			
Restricted funds used for tangible capital assets		(46,683)	46,683		
Current year funds used for tangible capital assets	(1,509,000)		1,509,000		
Contributed tangible capital assets	(707,749)		707,749		
Disposal of tangible capital assets	87,747		(87,747)		
Annual amortization expense	1,925,918		(1,925,918)		
Long term debt repaid	(510,124)		510,124		
Change in accumulated surplus	156,969	810,569	759,891	1,727,429	3,211,004
BALANCE, END OF YEAR	\$ 210,022	\$ 4,109,450	\$ 46,987,427	\$ 51,306,899	\$ 49,579,470

TOWN OF CARSTAIRS
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2018

Schedule 6

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Community Services	Total
REVENUE									
Net municipal taxes	\$ 4,198,674	\$	\$	\$	\$	\$	\$	\$	\$ 4,198,674
User fees and sales of goods	36,184	135,072		32,199	378,796	1,950,790		80,246	2,613,287
Government transfers	25,550	188,392	1,410,208		212,405	146,930		121,979	2,105,464
Investment income	30,385		2,655		3,358	21,200			57,598
Penalties	104,030								104,030
Licenses and permits	24,887	2,385		97,280					124,552
Franchise fees	429,685				5,000				429,685
Transfers from local boards					148				5,000
Gain on disposal			699,812			7,937			707,749
Contributed assets	572	1,198	74,205	10,000	29,515	144,514			260,004
Other revenues									
	<u>4,849,967</u>	<u>327,047</u>	<u>2,186,880</u>	<u>139,479</u>	<u>629,222</u>	<u>2,271,371</u>		<u>202,225</u>	<u>10,606,191</u>
EXPENSES									
Salaries & wages	560,944	389,353	342,859	257,292	736,027	445,734	102,547	171,692	3,006,448
Contract & general services	428,719	296,668	154,875	120,135	205,782	486,675	50,440	45,477	1,768,771
Goods & supplies	44,770	188,213	337,080	3,083	307,085	703,120	6,330	2,635	1,592,316
Provision for allowances						28			28
Transfers to organizations	4,513	19,125			208,052	53,123		159,254	439,554
Bank charges and interest	638	3,915	25,269		5,701	15,908	4,887		4,513
Interest on long-term debt			76,965		7,931				56,318
Loss on disposal									84,896
	<u>1,039,584</u>	<u>897,274</u>	<u>937,048</u>	<u>380,510</u>	<u>1,470,578</u>	<u>1,684,588</u>	<u>164,204</u>	<u>379,058</u>	<u>6,952,844</u>
NET REVENUE, BEFORE AMORTIZATION	<u>3,810,383</u>	<u>(570,227)</u>	<u>1,249,832</u>	<u>(241,031)</u>	<u>(841,356)</u>	<u>586,783</u>	<u>(164,204)</u>	<u>(176,833)</u>	<u>3,553,347</u>
Amortization expense	151,428	74,344	1,120,637	1,946	220,414	356,587		562	1,925,918
NET REVENUE	<u>\$ 3,658,955</u>	<u>\$ (644,571)</u>	<u>\$ 129,195</u>	<u>\$ (242,977)</u>	<u>\$ (1,061,770)</u>	<u>\$ 230,196</u>	<u>\$ (164,204)</u>	<u>\$ (177,395)</u>	<u>\$ 1,727,429</u>

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 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 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, 2018

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, 2018

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 consolidated Change in Net Financial Assets for the year.

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 Consolidated 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, 2018

2. CASH AND TEMPORARY INVESTMENTS

	<u>2018</u>	<u>2017</u>
Cash	\$ 1,353,630	\$ 1,415,984
Temporary investments	<u>2,422,679</u>	<u>1,471,941</u>
	<u>\$ 3,776,309</u>	<u>\$ 2,887,925</u>

Temporary investments are comprised of term deposits bearing interest between 2.02% and 2.85%, maturing in February 2019 and November 2019.

Of the cash and temporary investments \$50,642 (2017 - \$45,584) 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 \$15,300 (2017 - \$27,895) 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, 2018, \$0 was outstanding on the revolving lines of credit.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2018</u>	<u>2017</u>
Current taxes and grants in place receivables	\$ 216,132	\$ 245,394
Arrears taxes	<u>92,612</u>	<u>92,202</u>
	<u>\$ 308,744</u>	<u>\$ 337,596</u>

4. DEPOSIT LIABILITIES

The Town maintains utility and rental deposits of \$15,300 (2017 - \$13,000).

In the prior year the Town had a developer deposit on hand of \$14,895, this amount was released in the current year as certain requirements were met.

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. DEFERRED REVENUE

	<u>2018</u>	<u>2017</u>
Alberta Community Partnership Program	\$ 24,450	\$ 34,872
Donations - Skateboard Park	20,914	10,712
Donations and unearned revenue	<u>5,278</u>	<u>10,712</u>
	<u>\$ 50,642</u>	<u>\$ 45,584</u>

Alberta Community Partnership Program

Provincial government funding was received in the current year, to partner with other municipalities, to undertake certain eligible project expenses for a regional emergency services review project under a regional collaboration agreement which 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>2018</u>	<u>2017</u>
Vacation pay payable	\$ 51,271	\$ 51,863
Vested sick leave payable	<u>133,531</u>	<u>132,830</u>
	<u>\$ 184,802</u>	<u>\$ 184,693</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, 2018

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>2018</u>	<u>2017</u>
Estimated post-closure costs	\$ <u>135,993</u>	\$ <u>146,904</u>

8. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Tax supported debentures	\$ 308,043	\$ 361,740
Tax supported loans	<u>1,446,218</u>	<u>1,152,645</u>
	<u>\$ 1,754,261</u>	<u>\$ 1,514,385</u>

The current portion of the long-term debt amounts to \$322,014 (2017 - \$340,785)

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 322,014	\$ 67,755	\$ 389,769
2020	843,371	51,331	894,702
2021	252,321	22,915	275,236
2022	215,385	12,682	228,067
2023	100,381	3,890	104,271
Thereafter	<u>20,789</u>	<u>385</u>	<u>21,174</u>
	<u>\$ 1,754,261</u>	<u>\$ 158,958</u>	<u>\$ 1,913,219</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 less 0.25% and are repayable in annual principal payments of \$21,250, \$22,500, \$35,000, and \$75,000 plus monthly interest payments. One of the ATB Financial municipal loans has no principal payments due until October 2020 when the loan is due.

The Bank of Montreal loan bears interest at bank prime and is repayable in annual principal payments of \$133,338 plus monthly interest payments.

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

Interest on long-term debt amounted to \$56,318 (2017 - \$60,327).

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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>2018</u>	<u>2017</u>
Total debt limit	\$ 12,242,288	\$ 11,748,963
Total debt	<u>1,754,261</u>	<u>1,514,385</u>
Amount of debt limit unused	<u>\$ 10,488,027</u>	<u>\$ 10,234,578</u>
Debt servicing limit	\$ 2,040,381	\$ 1,958,161
Debt servicing	<u>389,769</u>	<u>391,797</u>
Amount of debt servicing limit unused	<u>\$ 1,650,612</u>	<u>\$ 1,566,364</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>2018</u>	<u>2017</u>
Tangible capital assets	\$ 71,627,317	\$ 68,881,684
Accumulated amortization	(22,885,629)	(21,139,763)
Long-term debt (Note 8)	<u>(1,754,261)</u>	<u>(1,514,385)</u>
	<u>\$ 46,987,427</u>	<u>\$ 46,227,536</u>

TOWN OF CARSTAIRS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

11. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Unrestricted surplus	\$ 210,022	\$ 53,053
Restricted surplus:		
Operating		
Policing	172,332	
Capital		
Water offsite levies	446,511	411,710
Wastewater offsite levies	679,184	615,969
Storm sewers and drainage offsite levies	336,103	290,659
Fire	340,417	337,710
Transportation	755,721	693,707
Water	455,912	262,294
Wastewater	551,003	396,279
Waste management	21,132	10,220
Cemetery	94,425	81,373
Recreation	144,080	129,647
Community hall	10,859	10,859
Stone Garden maintenance	10,000	
General capital contingency	91,771	58,454
Equity in tangible capital assets	<u>46,987,427</u>	<u>46,227,536</u>
	<u>\$ 51,306,899</u>	<u>\$ 49,579,470</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, 2018

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.

The Town has entered into an agreement with the RCMP to provide policing services. The Town pays 100% of two full-time equivalent enhanced policing positions each quarter. The agreement has been extended and amended for the period April 1, 2019 to March 31, 2022 under which the Town will pay 100% of one full-time equivalent enhanced policing positions each quarter.

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 2018 budget for the Town was approved by council and has been reported in the consolidated 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.
