

# **TOWN OF BLACKFALDS**

## **Consolidated Financial Statements and Auditor's Report**

**December 31, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

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**To the Members of Council of Town of Blackfalds***Report on Financial Statements*

We have audited the accompanying consolidated financial statements of the Town of Blackfalds, which comprises of the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Blackfalds as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

*Collins Barrow Red Deer LLP*Red Deer County, Alberta  
April 25, 2017

Chartered Professional Accountants

# TOWN OF BLACKFALDS

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December 31, 2016

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**TOWN OF BLACKFALDS**  
**Consolidated Statement of Financial Position**  
**December 31, 2016**

	2016	2015 (restated)
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (note 3)	\$ 12,911,973	23,716,475
Short term investments (note 4)	12,000,000	-
Taxes and grants in place of taxes receivable (note 5)	590,756	504,592
Trade and other receivables	1,450,698	948,090
Long-term investments (note 6)	<u>208,769</u>	<u>199,797</u>
	<u>27,162,196</u>	<u>25,368,954</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,442,796	1,610,492
Employee benefit obligation (note 7)	412,376	350,102
Prepaid taxes	34,942	62,954
Deposit liabilities	779,076	815,493
Deferred revenue (note 8)	107,776	116,092
Long-term debt (note 9)	<u>11,800,312</u>	<u>15,241,357</u>
	<u>14,577,278</u>	<u>18,196,490</u>
Contingencies (note 10)		
<b>NET FINANCIAL ASSETS</b>	<u>12,584,918</u>	<u>7,172,464</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (page 6)	146,021,760	135,490,683
Prepaid expenses	56,264	1,828
Inventory for consumption	<u>237,575</u>	<u>170,123</u>
	<u>146,315,599</u>	<u>135,662,634</u>
<b>ACCUMULATED SURPLUS</b> (note 14)	<u>\$158,900,517</u>	<u>142,835,098</u>

Approved by Council:

\_\_\_\_\_  
 Mayor

\_\_\_\_\_  
 Chief Administrative Officer



# TOWN OF BLACKFALDS

## Consolidated Statement of Operations and Accumulated Surplus Year Ended December 31, 2016

	Budget (unaudited)	2016	2015 (restated)
<b>Revenue</b>			
Net municipal taxes (page 7)	\$ 9,874,029	9,963,885	9,277,687
User fees and sales of goods	7,022,039	7,208,535	6,823,350
Franchise fees	1,304,652	1,429,584	1,350,576
Government transfers for operating (page 8)	751,344	861,428	735,019
Rentals	819,000	811,862	811,318
Licenses and permits	378,960	470,874	715,771
Development levies	-	356,335	2,205,271
Investment income	130,000	228,056	167,597
Penalties and costs of taxes	107,200	166,024	161,394
Fines	155,000	118,744	103,670
	<u>20,542,224</u>	<u>21,615,327</u>	<u>22,351,653</u>
<b>Expenses (page 9)</b>			
Amortization	3,400,000	4,735,579	4,526,044
Recreation and parks	4,519,608	4,577,686	4,689,820
Administration	1,986,509	2,090,860	2,296,119
Water supply and distribution	2,447,949	2,025,630	2,035,797
Protective services	1,827,748	1,905,845	1,892,351
Roads, streets, walks and lighting	1,833,560	1,707,502	1,510,285
Waste management	1,014,675	1,033,636	981,221
Planning and development	880,350	890,350	909,872
Wastewater treatment and disposal	602,610	558,280	769,193
Family and community support	561,936	543,300	412,866
Culture	431,650	444,632	380,545
Legislative	304,470	260,807	239,833
	<u>19,811,065</u>	<u>20,774,107</u>	<u>20,643,946</u>
<b>Excess of revenue over expenses before the following</b>	<u>731,159</u>	<u>841,220</u>	<u>1,707,707</u>
<b>Other income</b>			
Contributed tangible capital assets	-	12,442,399	2,972,697
Government transfers for capital (page 8)	1,425,000	2,781,800	2,283,472
Gain on disposal of tangible capital assets	-	-	1,338
	<u>1,425,000</u>	<u>15,224,199</u>	<u>5,257,507</u>
<b>Excess of revenue over expenses</b>	<b>2,156,159</b>	<b>16,065,419</b>	<b>6,965,214</b>
<b>Accumulated surplus, beginning of year</b>	<u>142,835,098</u>	<u>142,835,098</u>	<u>135,869,884</u>
<b>Accumulated surplus, end of year</b>	<u>\$144,991,257</u>	<u>158,900,517</u>	<u>142,835,098</u>

**TOWN OF BLACKFALDS**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2016**

	2016	2015 (restated)
<b>Excess of revenue over expenses</b>	<b>\$ 16,065,419</b>	6,965,214
Acquisition of tangible capital assets	<b>(2,824,256)</b>	(2,862,754)
Contributed tangible capital assets	<b>(12,442,399)</b>	(2,972,697)
Proceeds on disposal of tangible capital assets	-	1,338
Amortization of tangible capital assets	<b>4,735,579</b>	4,526,044
Write down of tangible capital assets	-	124,780
Loss (gain) on disposal of tangible capital assets	-	(1,338)
Change in prepaid expenses	<b>(54,437)</b>	21,565
Change in inventory for consumption	<u><b>(67,452)</b></u>	<u>(17,222)</u>
<b>Increase in net financial assets</b>	<b>5,412,454</b>	5,784,930
<b>Net financial assets, beginning of year</b>	<u><b>7,172,464</b></u>	<u>1,387,534</u>
<b>Net financial assets, end of year</b>	<u><b>\$ 12,584,918</b></u>	<u>7,172,464</u>

**TOWN OF BLACKFALDS**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2016**

	2016	2015 (restated)
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from rate payers, services and agencies	\$ 20,795,582	23,750,640
Cash paid to suppliers, employees and agencies	(15,948,576)	(15,432,610)
Interest received	194,649	84,946
Interest paid	<u>(622,854)</u>	<u>(769,043)</u>
	<u>4,418,801</u>	<u>7,633,933</u>
<b>Capital activities</b>		
Purchase of tangible capital assets	(2,555,086)	(2,708,361)
Proceeds on disposal of tangible capital assets	-	1,338
Government transfers for capital	<u>2,781,800</u>	<u>2,283,472</u>
	<u>226,714</u>	<u>(423,551)</u>
<b>Investing activities</b>		
Dividends reinvested on investments	(8,972)	(9,021)
Acquisition of short term investments	<u>(12,000,000)</u>	<u>-</u>
	<u>(12,008,972)</u>	<u>(9,021)</u>
<b>Financing activities</b>		
Repayment of long-term debt	<u>(3,441,045)</u>	<u>(3,386,647)</u>
<b>Increase (decrease) in cash</b>	<b>(10,804,502)</b>	<b>3,814,714</b>
<b>Cash, beginning of year</b>	<u><b>23,716,475</b></u>	<u><b>19,901,761</b></u>
<b>Cash, end of year</b>	<u><b>\$ 12,911,973</b></u>	<u><b>23,716,475</b></u>

Included in accounts payable and accrued liabilities is \$269,170 (2015- \$29,616) relating to the purchase of tangible capital assets.

**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2016**

	Unrestricted	Restricted	Equity in Tangible Capital Assets	2016	2015 (restated)
<b>Balance, beginning of year (restated)</b>	\$ 298,933	22,286,839	120,249,326	142,835,098	135,869,884
Excess of revenue over expenses	16,065,419	-	-	16,065,419	6,965,214
Unrestricted funds designated for future use	(4,039,415)	4,039,415	-	-	-
Reserves used for tangible capital assets	-	(2,824,257)	2,824,257	-	-
Contributed tangible capital assets	(12,442,399)	-	12,442,399	-	-
Annual amortization expense	4,735,579	-	(4,735,579)	-	-
Long-term debt repaid	<u>(3,441,045)</u>	<u>-</u>	<u>3,441,045</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	\$ <u>1,177,072</u>	<u>23,501,997</u>	<u>134,221,448</u>	<u>158,900,517</u>	<u>142,835,098</u>



**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2016**

	Land and Leasehold Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
<b>Cost</b>							
Beginning balance	\$ 8,820,930	45,361,232	112,213,321	7,819,619	1,973,066	176,188,168	170,490,493
Additions	622,840	183,205	12,795,195	28,160	150,047	13,779,447	6,427,605
Construction in progress - prior year	(406,350)	(109,780)	(590,894)	-	-	(1,107,024)	(1,699,175)
Construction in progress - current year	559,842	639,267	1,335,845	-	59,278	2,594,232	1,107,024
Disposals	-	-	-	-	-	-	(13,000)
Write down	-	-	-	-	-	-	(124,780)
Ending balance	<u>9,597,262</u>	<u>46,073,924</u>	<u>125,753,467</u>	<u>7,847,779</u>	<u>2,182,391</u>	<u>191,454,823</u>	<u>176,188,167</u>
<b>Accumulated amortization</b>							
Beginning balance	1,209,694	5,750,045	30,047,173	2,844,101	846,471	40,697,484	36,184,440
Amortization	527,202	826,897	2,713,409	501,543	166,528	4,735,579	4,526,044
Disposals	-	-	-	-	-	-	(13,000)
Ending balance	<u>1,736,896</u>	<u>6,576,942</u>	<u>32,760,582</u>	<u>3,345,644</u>	<u>1,012,999</u>	<u>45,433,063</u>	<u>40,697,484</u>
<b>Net book value</b>	<u>7,860,366</u>	<u>39,496,982</u>	<u>92,992,885</u>	<u>4,502,135</u>	<u>1,169,392</u>	<u>146,021,760</u>	<u>135,490,683</u>
2015 Net book value	\$ <u>7,611,236</u>	<u>39,611,187</u>	<u>82,166,148</u>	<u>4,975,518</u>	<u>1,126,594</u>	-	<u>135,490,683</u>

Included in buildings is an asset under capital lease with original cost of \$3,814,424 and accumulated amortization of \$635,443 (2015-\$571,869) for net book value of \$3,178,981 (2015 - \$3,242,555).

Included in land are various municipal reserves, environmental reserves, public utility lots, parks, land under roadways, road right-of-ways and general land for which historical costs were not available and were therefore valued at the nominal amount of \$1.

# TOWN OF BLACKFALDS

## Consolidated Schedule of Property and Other Taxes Year Ended December 31, 2016

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	<b>Budget</b> (unaudited)	<b>2016</b>	2015
<b>Taxation</b>			
Real property taxes	\$ 10,867,384	11,318,716	10,258,837
Non-residential and linear property taxes	<u>1,767,485</u>	<u>1,772,936</u>	<u>1,723,023</u>
	<u>12,634,869</u>	<u>13,091,652</u>	<u>11,981,860</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	2,683,563	3,052,190	2,635,654
Lacombe Foundation	<u>77,277</u>	<u>75,577</u>	<u>68,519</u>
	<u>2,760,840</u>	<u>3,127,767</u>	<u>2,704,173</u>
<b>Net municipal taxes</b>	\$ <u>9,874,029</u>	<u>9,963,885</u>	<u>9,277,687</u>

**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Government Transfers**  
**Year Ended December 31, 2016**

	<b>Budget</b> (unaudited))	<b>2016</b>	2015 (restated)
<b>Transfers for Operating</b>			
Federal government	\$ 3,000	27,625	2,625
Provincial government	539,244	631,393	513,857
Other local governments	<u>209,100</u>	<u>202,410</u>	<u>218,537</u>
	<u>751,344</u>	<u>861,428</u>	<u>735,019</u>
<b>Transfers for Capital</b>			
Federal government	-	489,057	411,939
Provincial government	<u>1,425,000</u>	<u>2,292,743</u>	<u>1,871,533</u>
	<u>1,425,000</u>	<u>2,781,800</u>	<u>2,283,472</u>
	<u>\$ 2,176,344</u>	<u>3,643,228</u>	<u>3,018,491</u>

**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Expense by Object**  
**Year Ended December 31, 2016**

	<b>Budget</b> (unaudited)	<b>2016</b>	2015 (restated)
Salaries, wages and benefits	\$ 6,870,011	7,144,211	6,713,368
Amortization on tangible capital assets	3,400,000	4,735,579	4,526,044
Contracted and general services	3,539,300	3,431,658	3,940,971
Transfers to local boards and agencies	2,563,011	2,522,424	2,320,672
Materials, goods, supplies and utilities	2,458,300	2,317,380	2,373,849
Interest on long-term debt	915,443	523,411	706,302
Bank charges and short-term interest	<u>65,000</u>	<u>99,444</u>	<u>62,740</u>
	<u>\$ 19,811,065</u>	<u>20,774,107</u>	<u>20,643,946</u>

# TOWN OF BLACKFALDS

## Notes to the Consolidated Financial Statements

### December 31, 2016

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#### 1. Significant Accounting Policies

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The consolidated financial statements of the Town of Blackfalds are the representations of management prepared in accordance with Public Sector Accounting Standards established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted are as follows:

##### **Reporting entity**

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and changes in accumulated surplus and net financial assets of the reporting entity and all organizations that are accountable for the administration of their financial affairs and resources to the Council and are owned or controlled by the town. Included are the following:

Town of Blackfalds Family and Community Support Services

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.

##### **Basis of accounting**

The consolidated 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 asset are acquired.

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**1. Significant Accounting Policies (Continued)**

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**Measurement uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: allowance for doubtful accounts, inventory obsolescence, inventory valuation, estimated useful lives of tangible capital assets, and employee future benefits. Actual results may differ from management's best estimates as additional information becomes available in the future.

**Cash and short-term investments**

Cash includes balances with banks and temporary investments that are redeemable deposits with maturities of one year or less.

**Investments**

Investments are recorded at amortized cost. 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.

**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 the 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.

# TOWN OF BLACKFALDS

## Notes to the Consolidated Financial Statements December 31, 2016

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### 1. Significant Accounting Policies (Continued)

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#### Property Tax Revenue

Property tax revenue is based on market value assessments determined in accordance with the Alberta Municipal Government Act ("MGA"). Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenues and receivables when a written decision is received from the authorized board. Requisitions operate as a flow through and are excluded from municipal revenue.

#### Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of exchange transactions, 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 transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

#### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the consolidated changes in net financial assets for the year. Non-financial assets consist of the following:

i. Inventory for consumption

Inventories of material and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the first in, first out cost method.

ii. Cultural and historical tangible capital assets

Cultural and historical assets are not recorded in these financial statements.

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**1. Significant Accounting Policies (Continued)**

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iii. Tangible capital assets

Tangible capital assets have a useful life extending beyond one year and are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land Improvements	15 to 50 years (Straight-line)
Buildings	15 to 70 years (Straight-line)
Engineered structures:	
Roadway system	15 to 60 years (Straight-line)
Water distribution system	40 to 60 years (Straight-line)
Wastewater treatment system	40 to 60 years (Straight-line)
Storm system	40 to 60 years (Straight-line)
Machinery and Equipment	5 to 40 years (Straight-line)
Vehicles	5 to 20 years (Straight-line)

Amortization begins in the year following acquisition. Assets under construction are not amortized until the asset is available for use.

iv. Contributions of tangible capital assets

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

v. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefit 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.



**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

**2. Restatement of Prior Years**

During the year the Town received additional invoices and expenses relating to the December 31, 2015 year end. In order to recognize the additions comparative amounts presented as of December 31, 2015 have been restated as follows:

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>Restated</u>
<b><u>Statement of Financial Position</u></b>			
Financial assets	\$ 25,141,636	227,318	<b>25,368,954</b>
Liabilities	<u>17,959,497</u>	<u>236,993</u>	<b>18,196,490</b>
Net financial assets	7,182,139	(9,675)	<b>7,172,464</b>
Non-financial assets	<u>135,662,634</u>	-	<b>135,662,634</b>
Accumulated surplus	<u>\$142,844,773</u>	<u>(9,675)</u>	<b>142,835,098</b>

**Statement of Operations and Changes in Accumulated Surplus**

Revenue	\$ 22,366,678	(15,025)	<b>22,351,653</b>
Expenses	20,489,487	154,459	<b>20,643,946</b>
Other income	<u>5,097,698</u>	<u>159,809</u>	<b>5,257,507</b>
Excess of revenue over expenses	6,974,889	(9,675)	<b>6,965,214</b>
Accumulated surplus, beginning of year	<u>135,869,881</u>	-	<b>135,869,881</b>
Accumulated surplus, end of year	<u>\$142,844,773</u>	<u>(9,675)</u>	<b>142,835,098</b>

In addition to the restatement, the presentation of certain accounts of the previous year have been changed to conform with the presentation adopted for the current year.

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

<b>3. Cash</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 10,793,120	21,587,230
Temporary investment	<u>2,118,853</u>	<u>2,129,245</u>
	<b>\$ 12,911,973</b>	<b>23,716,475</b>

The Town has an approved operating line of credit of \$300,000. This line of credit is issued on the credit and security of the Town at large and bears an interest rate of prime (currently 2.70%) less 0.25% if utilized.

Temporary investment consists of a guaranteed investment certificate (GIC) that matured January of 2017 and earned interest at 1.08%. On maturity the funds were reinvested in a GIC earning interest at 1.14% maturing in April 2017.

Included in cash are restricted amounts of \$107,776 (2015 - \$116,092). Restricted cash is subject to the restrictions as described in note 8.

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**4. Short term investments**

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Short term investments consist of guaranteed investment certificates (GIC) that mature between February and June of 2017 and earn interest between 1.19% and 1.33%. The GIC which matured in February 2017 was reinvested at a interest rate of 1.39%.

<b>5. Taxes and Grants in place of Taxes Receivable</b>	<b>2016</b>	<b>2015</b>
Current taxes and grants in place of taxes	\$ 569,063	469,352
Arrears	<u>21,693</u>	<u>35,240</u>
	<b>\$ 590,756</b>	<b>504,592</b>

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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<b>6. Long term investments</b>	<b>2016</b>	<b>2015</b>
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Servus Credit Union shares	\$ <u>208,769</u>	<u>199,797</u>
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The balance consists of preferred shares with a return of approximately 5.0% in 2016 (2015 - 5.0%).

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**7. Employee Benefit Obligation**

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The obligation is comprised of the vacation, overtime, and sick time that employees have earned or are entitled to within the next budgetary year.

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<b>8. Deferred Revenue</b>	<b>2016</b>	<b>2015</b>
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Prepaid facility passes	\$ <b>80,312</b>	35,040
Lacombe regional emergency management plan	<b>27,464</b>	24,023
Prepaid education levy	<u>-</u>	<u>57,029</u>
	<u>\$ <b>107,776</b></u>	<u>116,092</u>

Prepaid facility passes includes passes that have been provided to the public and prepaid minor hockey ice rental, to be recognized once utilized for the programs.

Lacombe regional emergency management plan includes amounts collected from communities that have not yet been utilized for the program.

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
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<b>9. Long-Term Debt</b>	<b>2016</b>	<b>2015</b>
Alberta Capital Financing Authority debt bearing interest at rates ranging from 4.61% to 6.25% per year and maturing in periods from 2019 - 2025.	<b>\$ 9,808,393</b>	\$ 2,711,728
Capital lease repayable to Sunreal Blackfalds Ltd. bearing interest at 8.08% per year and matures in 2020.	<b>1,238,955</b>	1,491,177
Servus Credit Union debt bearing interest at prime (currently 2.70%) plus 0.21%, maturing in 2019.	<u>752,964</u>	<u>11,038,452</u>
	<b><u>\$ 11,800,312</u></b>	<b><u>\$ 15,241,357</u></b>

Estimated principal and interest repayments for the next five years are as follows:

	Principal	Interest	Total
2017	\$ 1,703,095	\$ 389,999	\$ 2,093,094
2018	1,702,130	324,189	2,026,319
2019	1,733,067	254,893	1,987,960
2020	1,557,146	187,137	1,744,283
2021	1,247,088	134,666	1,381,754
Subsequent	<u>3,857,786</u>	<u>189,475</u>	<u>4,047,261</u>
	<b><u>\$ 11,800,312</u></b>	<b><u>\$ 1,480,359</u></b>	<b><u>\$ 13,280,671</u></b>

As part of the Town's lending agreement, the Town is required to maintain a debt service ratio greater than 1.25:1:00. The Town was in compliance with this covenant.

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**10. Contingencies**

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The Town of Blackfalds is a member of the Genesis Reciprocal Insurance Exchange and MUNIX. Under the terms of membership, the Town of Blackfalds 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.

The Town of Blackfalds is a member of the North Red Deer Water Services Commission. Under the terms of membership, the Town is liable for its proportionate share of any losses incurred by the commission. Any liability would be accounted for in the year the losses are determined.

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**11. Debt Limits** **2016** 2015

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Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the municipality as follows:

Total debt limit	<b>\$ 32,590,962</b>	33,359,520
Total debt	<u>(11,800,312)</u>	<u>(15,241,357)</u>
Amount of debt limit unused	<u><b>20,790,650</b></u>	<u>18,118,163</u>
Service limit of debt	<b>\$ 5,431,827</b>	5,559,920
Service on debt	<u>2,093,094</u>	<u>1,978,792</u>
Amount of debt servicing limit unused	<u><b>\$ 3,338,733</b></u>	<u>3,581,128</u>

The debt limit is calculated at 1.5 times the 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.

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

**12. Commitments**

The Town of Blackfalds has an agreement for recycling and waste management services expiring February 2018 at a fixed rate of \$11.30 per household per month, and \$50 - \$100 per commercial bin per month. These rates increase annually by the Consumer Price Index as stated by Statistics Canada. The 2016 contract cost the Town \$564,618 (2015- \$496,374).

The Town of Blackfalds has an agreement with the City of Red Deer for transit services expiring December 2032. The commitment is annual operating costs adjusted for inflation annually of \$348,917. Under the terms of this agreement the organization is committed to a minimum of 365 days notice prior to termination of the agreement.

The Town has an agreement with Shunda Construction for the expansion of the Town hall for a cost of \$ 1,580,888.

The Town has entered into a commitment to purchase a Fire\Rescue Vehicle totaling \$546,794 of which \$350,000 will be funded by grants. The remaining cost will be split evenly between the Town of Lacombe and the Town of Blackfalds.

The Town has agreements to obtain electricity and natural gas services at variable rates. The total commitments are based on usage and therefore are not determinable.

<b>13. Equity in Tangible Capital Assets</b>	<b>2016</b>	<b>2015</b>
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Tangible capital assets (page 6)	\$ 191,454,823	176,188,167
Accumulated Amortization (page 6)	(45,433,063)	(40,697,484)
Long-term debt (note 9)	<u>(11,800,312)</u>	<u>(15,241,357)</u>
	<b>\$ <u>134,221,448</u></b>	<b><u>120,249,326</u></b>

# TOWN OF BLACKFALDS

Notes to the Consolidated Financial Statements  
December 31, 2016

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14. Accumulated Surplus	2016	2015 (restated)
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Unrestricted surplus	\$ <u>1,177,072</u>	<u>298,933</u>
Restricted surplus		
<b>Operating:</b>		
General	<u>3,198,146</u>	<u>3,148,146</u>
<b>Capital:</b>		
General	14,364,350	14,083,754
Water	3,901,937	3,139,219
Roads	<u>2,037,564</u>	<u>1,915,720</u>
	<u>20,303,851</u>	<u>19,138,693</u>
<b>Total reserves</b>	<u>23,501,997</u>	<u>22,286,839</u>
<b>Equity in tangible capital assets (note 13)</b>	<u>134,221,448</u>	<u>120,249,326</u>
	<u>\$158,900,517</u>	<u>142,835,098</u>

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**15. Salary and Benefits Disclosure** **2016** 2015

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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:

	Salary	Benefits	Total	Total
<b>Councillors</b>				
Mayor Stol	\$ 35,648	1,324	\$ <b>36,972</b>	35,130
Councilor Taylor	19,987	654	<b>20,641</b>	20,658
Councilor Poole	19,712	645	<b>20,357</b>	20,086
Councilor Olfert	19,657	632	<b>20,289</b>	19,170
Councilor Wigmore	18,502	604	<b>19,106</b>	18,712
Councillor Sutherland	17,732	572	<b>18,304</b>	18,668
Councilor Wyndham	17,292	553	<b>17,845</b>	18,025
Chief Administrative Officer 1	168,443	34,941	<u><b>203,384</b></u>	<u>198,098</u>
			<u><b>\$ 356,898</b></u>	<u>348,547</u>

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

Benefits include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.



**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**16. Local Authorities Pension Plan**

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Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 245,000 people and 426 employers. The LAPP is financed by employer and employee contributions and by investment earnings in the LAPP fund.

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

The Town is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above that amount. Employees of the municipality are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2016 were \$ 583,376 (2015 - \$557,242). Total current service contributions by employees of the Town of Blackfalds to the LAPP in 2016 were \$536,644 (2015 - \$512,818).

As at December 2015 the LAPP disclosed an actuarial deficiency of \$923 million. The 2016 actuarial deficiency has not yet been disclosed.

**TOWN OF BLACKFALDS**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2016**

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**17. Financial Instruments**

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The Town of Blackfald's financial instruments consist of cash and temporary investments, short-term investments, taxes and grants in place of taxes receivable, trade and other receivables, long-term investments, accounts payable and accrued liabilities, employee benefit obligation, deposit liabilities, and long-term debt. It is management's opinion that the Town of Blackfalds is not exposed to significant interest rate, currency, market, liquidity, or credit risks arising from these financial instruments except as follows:

**Interest rate risk**

The Town of Blackfalds is exposed to interest rate price risk as the cash, temporary investments, short-term investments and certain long-term debt bears interest at fixed interest rates.

The Town of Blackfalds is exposed to interest cash flow risk as certain long-term debt bears interest at variable interest rates.

**Credit risk**

The Town of Blackfalds is exposed to credit risk with respect to taxes receivable and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and certain rights granted to the Town under the Municipal Government Act minimizes the credit risk.

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**18. Approval of the Financial Statements**

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Council and Management have approved of these financial statements.

# TOWN OF BLACKFALDS

## Notes to the Consolidated Financial Statements

December 31, 2016

# TOWN OF BLACKFALDS

## Supplementary Financial Information

Year Ended December 31, 2016

### Reconciliation of 2016 Budget to Operating Results

Effective January 1, 2009 the town adopted the changes required under the Public Sector Accounting Board (PSAB) Handbook, including Section 1200, "Financial Statement Presentation". Under these requirements, the town is required to use a full accrual reporting model for preparation of its consolidated financial statements. However, the town continues to use a cash requirement basis in determining its annual budget. The reconciliation below is for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the consolidated financial statements provided and users should note that this information may not be appropriate for their purposes.

	Budget (unaudited)	2016	2015
<b>Excess of revenue over expenses per financial statements</b>	<b>\$ 2,156,159</b>	<b>16,065,419</b>	6,965,214
<b>Capital expenditures:</b>			
Add: amortization expense	<b>3,400,000</b>	<b>4,735,579</b>	4,526,044
Deduct: Tangible capital assets acquired	<b>(6,810,114)</b>	<b>(15,266,655)</b>	(5,835,454)
Less contributed capital assets	<u>-</u>	<u>-</u>	<u>(1,338)</u>
Excess (deficiency) of operating and capital revenues over expenditures	<b>(1,253,955)</b>	<b>5,534,343</b>	5,654,466
<b>Capital financing:</b>			
Less: repayment of capital debt	<b><u>(1,126,997)</u></b>	<b><u>(3,441,041)</u></b>	<b><u>(3,386,645)</u></b>
Net surplus (deficiency) before the following	<b>(2,380,952)</b>	<b>2,093,302</b>	2,267,821
<b>Other:</b>			
Add (deduct) : transfer from (to) operating reserves	-	<b>(50,000)</b>	651,125
Deduct: transfer from (to) capital reserves	<b><u>2,380,952</u></b>	<b><u>(1,165,163)</u></b>	<b><u>(3,536,504)</u></b>
<b>Increase (decrease) in unrestricted surplus</b>	<b>\$ <u>-</u></b>	<b><u>878,139</u></b>	<b><u>(617,558)</u></b>