



**TOWN OF BLACKFALDS
REGULAR COUNCIL MEETING
REQUEST FOR DECISION**

MEETING DATE: April 24, 2018

ORIGINATED BY: Betty Quinlan, Director of Corporate Services

SUBJECT: 2017 Audited Financial Statements

BACKGROUND:

The annual financial statements for the Town of Blackfalds have now been audited as per requirement of the Municipal Government Act which reads as follows:

Annual Financial Statements and Auditor's Report

Annual financial statements

276 (1) Each municipality must prepare annual financial statements of the municipality for the immediately preceding year in accordance with

- (a) the generally accepted accounting principles for municipal governments recommended from time to time by the Canadian Institute of Chartered Accountants, and
- (b) any modification of the principles or any supplementary accounting standards or principles established by the Minister by regulation.

(2) The municipality's financial statements must include

- (a) the municipality's debt limit, and
- (b) the amount of the municipality's debt as defined in the regulations under section 271.

(3) Each municipality must make its financial statements, or a summary of them, and the auditor's report of the financial statements available to the public in the manner the council considers appropriate by May 1 of the year following the year for which the financial statements have been prepared.

1994 cM-26.1 s276

The Town of Blackfalds audited financial statements for year ending 2017 along with the Financial Information Return (FIR) are complete and will be submitted to Municipal Affairs by the May 1st deadline.

DISCUSSION:

Annual financial statements are prepared each year following an audit process undertaken by chartered accountants secured through a contractual agreement with the Town of Blackfalds. The audit is an independent review of our organization's financial systems and processes and includes site visits and interviews. It is the third year for Collins Barrow of Red Deer to conduct the audit and prepared the 2017 audited statements, FIR return and the 2017 Report to the Board. Mr. Grant Stange will be attending the meeting and provide an overview of the statements and findings during the Council meeting. Any



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recommendations arising from the 2017 audit will be used to improve on the current Town of Blackfalds financial systems and processes.

Administration would like to take this opportunity to thank the staff from Collins Barrow for the excellent work they have provided.

FINANCIAL IMPLICATIONS:

The financial audit process is the primary process utilized to provide assurance that our Municipality's financial processes and reporting methods are accurate, complete and meet standardized accounting principles and practices.

ADMINISTRATIVE RECOMMENDATION:

1. That Council move to approve the 2017 Consolidated Financial Statements as presented.

ALTERNATIVES:

- A) That Council move to refer the 2017 Consolidated Financial Statements back to administration for further information and action.

Attachments:

- *2017 Report to the Board*
- *2017 Audited Financial Statements*

Approvals:

CAO Myron Thompson

Department Director/Author

Town of Blackfalds

Report to Town Council

For the Year-end December 31, 2017

As presented on April 24, 2018

1. Introduction

This report is presented to assist Council in reviewing the audit for the financial statements of the Town of Blackfalds for the year ended December 31, 2017. This report summarizes our significant findings arising from the audit and other matters that we believe should be brought to your attention. The audit would not necessarily identify all matters that may be of interest to Council in fulfilling its responsibilities. This report is intended solely for the uses of the Council and management of the Town of Blackfalds.

2. Audit Scope

The audit of the financial statements was conducted in accordance with Canadian generally accepted auditing standards, and included the tests of the account records that were considered necessary in the circumstances.

The scope of our audit was not limited by management in any way. We received full access to all records and documentation necessary for our audit. In addition, we are pleased to acknowledge the cooperation and assistance we received the staff during the course of our audit.

3. Important Accounting and Reporting Matters

The Canadian Institute of Chartered Professional Accountants has specified matters that should be brought to the attention of Council. The following summarizes the matters to be communicated:

Matters to be reported	Comments
1. Co-operation of management	The full co-operation of management and staff was received during the course of our work.
2. Disagreements with management	There were no disagreements between management and us about accounting policies, presentation or disclosure in the financial statements.
3. Significant accounting principles and policies	The significant accounting principles and policies are disclosed in notes to the financial statements and we believe to be appropriate.
4. Significant audit adjustments	All accounting differences revealed by the audit were discussed with management to determine whether the adjustment should be recorded. All significant items were adjusted – insignificant items have been detailed in section 3.1 ‘Uncorrected Misstatements’.

3. Important Accounting and Reporting Matters (continued)

Matters to be reported	Comments
5. Fraud, illegal and/or questionable acts	<p>We did not identify any illegal, improper or questionable acts, or any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentations of financial information.</p> <p>Our examination is conducted using procedures applied on a test basis and designed to support our opinion on the financial statements taken as a whole, and thus such procedures may not disclose any particular illegal act or irregularity.</p>
6. Related Party Transactions	<p>We are not aware of any related party transactions that were not in the normal course of operations or involve significant judgments by management concerning the measurement or disclosure.</p>

3.1 Materiality

Materiality is based on the fact that some matters, either individually or in the aggregate, are important if the consolidated financial statements are to be presented fairly in accordance with Canadian Public Sector Accounting Standards. A misstatement is material if it is considered probable that it would influence a financial statement user's decision making.

The planned overall and performance materiality for the 2017 audit of the consolidated financial statements was \$400,000 and \$300,000, respectively. There was no reason identified during our audit work to adjust final materiality from these amounts, and consequently final overall and performance materiality remained \$400,000 and \$300,000, respectively. This was based on five percent of the Town's 2017 tax revenue.

3.2 Uncorrected Misstatements

In the course of our audit, we have aggregated uncorrected financial statement misstatements which are summarized in Appendix A. Management has deemed the effects of these misstatements to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We are required under the auditing standards to request that Council consider adjusting the identified items.

4. Potentially Sensitive Matters

Our examination of the financial statements did not reveal any potentially sensitive issues. No unusual or irregular transactions were noted.

5. Matters for Discussion

Current year matters:

No current matters

Prior year matters:

Consolidation of Blackfalds Public Library:

The Town has consolidated the financial information of the Library beginning in the 2017 financial statements, and have restated the comparative information to include the Library's operations.

During the prior year audit, it was identified that the financial information of the Blackfalds Public Library was only included in the Town's consolidated financial statements to the extent of the Library's operating grant. The Blackfalds Public Library is largely reliant on the Town for funding. The Town also appoints the Library Board members. When one entity can significantly influence another the accounting standards require that their financial information be consolidated together.

Reserves:

Reserves continue to require a significant amount of time to reconcile for the audit. The process for recording transactions through the reserves and the quantity of reserves accounts, create a complicated accounting process, resulting in equity transfers and income/expenses flowing through equity transfers to the income statement not being fully recorded. Also, using the accounting system to track planned reserve transfers before the underlying transaction actually occurs adds to the time needed to reconcile the reserve balances. Unreconciled reserve entries and balances can increase the risk of a misstatement in the statement of operations.

While we are still concerned with the reserve accounts there was significant improvements in the handling of reserves in the current year. Management was able to resolve reconciliation issues related to the reserves when requested. We encourage management to continue to refine its processes for ensuring the accounting of reserves transfers is accurate and that reserves are understandable. We also encourage management to consider ways it can simplify the number of accounts used for operating and capital reserves and its process for dealing with reserves.

Reconciliations:

During prior year audits, comparisons were prepared of accounts receivable, accounts payable and deposit liabilities to their respective listings. However, when the differences between the listing and the control account started to change no further work was completed to understand why the differences were changing. Reconciliations are an important oversight control in the prevention and detection of fraud and error. When control accounts do not reconcile to their respective listings an error has occurred that needs to be corrected.

During the current year audit, reconciliations and listings agreed to ledger balances, except for the total accumulated amortization on tangible capital asset did not agree to the detailed amortization listing and the list supporting deferred FCSS contributions was not dealt with until late in the audit.

Review of the Tangible Capital Asset listing:

During the current year audit, the Town adopted capital asset software that addresses the accounting and management of capital assets.

During prior year audits, we encountered difficulties utilizing the spreadsheet used to track capital assets. The issues with the spreadsheet included missing or incomplete additions of assets and formulas that referenced another spreadsheet file. As we could not link to the additional files, we had to manipulate the file we were using to bring the information in. The missing information around additions was primarily due to the fact that contracts and supporting information is often held by the department that initiated or was responsible for the contract or capital addition. To ensure assets are properly tacked and accounted for it is important that the detailed listing is accurate

Recent Accounting Pronouncements

The Public Sector Accounting Board has issued accounting pronouncements that the Town is required to implement in accordance with the applicable transition provisions. We have provided a summary of these provisions below:

Section	Description	Effective Date – Year Ends Beginning After	Year Adopted by the Town
PS1201	Financial Statement Presentation	April 1, 2019	2020
PS2601	Foreign Currency Translation	April 1, 2019	2020
PS3450	Financial Instruments	April 1, 2019	2020
PS2200	Related Party Disclosures	April 1, 2017	2018
PS3210	Assets	April 1, 2017	2018
PS3320	Contingent Assets	April 1, 2017	2018
PS3380	Contractual Rights	April 1, 2017	2018
PS3420	Inter-entity Transactions	April 1, 2017	2018
PS3430	Restructuring Transactions	April 1, 2018	2019

We do not expect any significant changes as a result of the adoption of the upcoming accounting pronouncements. The standards may result in additional disclosure in the notes to the financial statements.

**Schedule of Likely Aggregate
Misstatements**

Description of Possible Misstatement	Proposed Adjustment – Dr. (Cr.)				
	Income Statement		Balance Sheet		
	Identified Misstatement	Likely Aggregate Misstatement	Assets	Liabilities	Equity
Unknown variance in accumulated amortization from listing to ledger	(35,022)	(35,022)	35,022	-	-
Computers and Ipads expensed in the current year rather than capitalized.	(33,356)	(33,356)	33,356	-	-
Likely aggregated misstatements net of misstatements corrected	(68,378)	(68,378)	68,378	-	-
2016 Accounts payable understated	(26,040)	-	-	-	26,040
Aggregate of likely misstatements	(94,418)	(68,378)	68,378	-	26,040
Final overall materiality	400,000	400,000	400,000	400,000	400,000
Amount remaining for further misstatement	305,582	331,622	(331,622)	(400,000)	373,960

Town of Blackfalds

Year End: December 31, 2017

Adjusting journal entries

Date: 1/1/2017 To 12/31/2017

Date	Name	Account No	Debit	Credit
2017-12-31	GEN - Provincial Grants (Conditional)	1-00-00-830		-72,647.00
2017-12-31	GEN - Deferred Revenue	4-00-00-299	72,647.00	
2017-12-31	GEN - Deferred Revenue	4-00-00-299	99,000.00	
2017-12-31	ADMIN - Provincial Conditional Grant	5-12-00-830		-99,000.00

To move MSI revenue from Deferred.

2017-12-31	GEN - Reclass of Sick Leave for Stateme	2-12-RC-110		-13,566.35
2017-12-31	POLICE - Reclass of Sick Leave for Stat	2-21-RC-110		-1,004.91
2017-12-31	FIRE - Reclass of Sick Leave for Statem	2-23-RC-110		-1,507.37
2017-12-31	STREETS - Reclass of Sick Leave for Sta	2-32-RC-110		-5,024.57
2017-12-31	STORM SEWER - Reclass of Sick Leave for	2-37-RC-110		-502.46
2017-12-31	WATER - Reclass of Sick Leave for State	2-41-RC-110		-1,507.37
2017-12-31	SEWER - Reclass of Sick Leave for State	2-42-RC-110		-1,507.37
2017-12-31	ECON. DEV. - Reclass of Sick Leave for	2-69-RC-110		-1,004.91
2017-12-31	REC ADMIN - Reclass of Sick Leave for S	2-72-RC-110		-24,620.41
2017-12-31	GEN - Sick Leave Accrual -Payroll Opera	4-00-00-286	50,245.72	

To adjust sick accrual to actual.

2017-12-31	Grants Receivable	3-12-00-296		-790,000.00
2017-12-31	Grants Receivable	3-12-00-296		-125,000.00
2017-12-31	Grants Receivable	3-12-00-296		-501,692.83
2017-12-31	A/R - YE Accruals & Accured Interest	3-12-00-303		-345,522.40
2017-12-31	GEN - Capital YE Rollover Reserve	4-00-00-760	129,568.90	
2017-12-31	ADMIN - Provincial Conditional Grant	5-12-00-830	345,522.40	
2017-12-31	STREETS - Transfer from Capital Reserve	5-32-00-931	790,000.00	
2017-12-31	REC/PARKS & PLAY - Transfer from Capita	5-72-04-931	125,000.00	
2017-12-31	REC/ALL STAR -Other Local Government Co	5-72-09-831	501,692.83	
2017-12-31	STREETS- Other (Trsf toReserve)	6-32-00-667		-129,568.90

To reverse revenue set up for
debenture and grants not yet applied.

Town of Blackfalds

Year End: December 31, 2017

Adjusting journal entries

Date: 1/1/2017 To 12/31/2017

2017-12-31	Grants Receivable	3-12-00-296	2,076,361.00	
2017-12-31	Grants Receivable	3-12-00-296	514,387.00	
2017-12-31	GEN - Capital YE Rollover Reserve	4-00-00-760		-674,368.89
2017-12-31	ADMIN - Provincial Conditional Grant	5-12-00-830		-2,076,361.00
2017-12-31	STREETS - Federal Conditional Grant	5-32-00-832		-514,387.00
2017-12-31	Comm. Hall- transfers to/from reserve	6-72-08-931	674,368.89	

To set up MSI income and move to reserve unused amount.

2017-12-31	ADMIN - Other	2-12-00-990	9,756.00	
2017-12-31	Capital Asset Transfers	6-80-00-000		-6,083,805.61
2017-12-31	Capital Asset Transfers	6-80-00-000		-9,756.00
2017-12-31	Clearing Account Fixed Assets	A-99-99-999	6,083,805.61	

To adjust asset clearing account to actual and balance equity in the Financial statements.

2017-12-31	STREETS - Engineering Structures	3-32-00-610	39,054.95	
2017-12-31	Capital Asset Transfers	6-80-00-000		-39,054.95

To adjust for differences in capital assets.

2017-12-31	GEN - Land Equity-Abbey Centre-	4-00-10-800	4,777,331.74	
2017-12-31	MRBW - Surplus adj amort	4-12-00-901		-4,777,331.74

To take amortization out of income.

2017-12-31	GEN - Land Equity-Abbey Centre-	4-00-10-800		-8,135,194.00
2017-12-31	Capital Asset Transfers	6-80-00-000	8,135,194.00	

To adjust capital expenses to equity.

2017-12-31	SEWER - Engineering Structures	3-42-00-610	111,600.00	
2017-12-31	GEN - Land Equity-Abbey Centre-	4-00-10-800		-111,600.00
2017-12-31	Capital Asset Transfers	6-80-00-000	111,600.00	
2017-12-31	Clearing Account Fixed Assets	A-99-99-999		-111,600.00

To move sewer upgrade to capital.

Town of Blackfalds

Year End: December 31, 2017

Adjusting journal entries

Date: 1/1/2017 To 12/31/2017

2017-12-31	Library- Accounts receiveable	3-74-00-226	4,619.00	
2017-12-31	Library- Investments GIC	3-74-00-321	33,820.91	
2017-12-31	Library Prepays	3-74-00-412	2,031.20	
2017-12-31	Library- Cash	3-74-02-111	112,839.81	
2017-12-31	Library- Accounts payable	4-74-00-275		-18,220.00
2017-12-31	Library- Consolidation	4-74-00-711		-135,090.92

To consolidate PY equity in
Library.

2017-12-31	Library Revenue	1-74-00-590		-100,936.00
2017-12-31	Other Library Expenses	2-74-07-545	40,765.09	
2017-12-31	Library- Accounts receiveable	3-74-00-226		-2,589.00
2017-12-31	Library- Investments GIC	3-74-00-321	126,394.09	
2017-12-31	Library- Cash	3-74-02-111		-72,516.18
2017-12-31	Library- Accounts payable	4-74-00-275	8,882.00	
2017-12-31	Library- Consolidation	4-74-00-711		-60,170.00
2017-12-31	Library- Transfer to Reserve	5-74-10-990	60,170.00	

To consolidate the Library in the
current year.

TOWN OF BLACKFALDS

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

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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, 2017 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Red Deer County, Alberta

Collins Barrow Red Deer LLP

April 24, 2018

Chartered Professional Accountants

TOWN OF BLACKFALDS

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December 31, 2017

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TOWN OF BLACKFALDS
Consolidated Statement of Financial Position
December 31, 2017

	2017	2016 (restated) (note 2)
FINANCIAL ASSETS		
Cash and temporary investments (note 3)	\$ 1,555,769	13,024,813
Short term investments (note 4)	21,299,055	12,033,821
Taxes and grants in place of taxes receivable (note 5)	677,768	590,756
Trade and other receivables	3,783,283	1,455,317
Long-term investments (note 6)	<u>218,124</u>	<u>208,769</u>
	<u>27,533,999</u>	<u>27,313,476</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,013,565	1,461,016
Employee benefit obligation (note 7)	405,882	412,376
Prepaid taxes	29,986	34,942
Deposit liabilities	1,163,500	779,076
Deferred revenue (note 8)	92,378	107,776
Long-term debt (note 9)	<u>10,096,629</u>	<u>11,800,312</u>
	<u>13,801,940</u>	<u>14,595,498</u>
Contingencies (note 10)		
NET FINANCIAL ASSETS	<u>13,732,059</u>	<u>12,717,978</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (page 6)	149,978,384	146,021,760
Prepaid expenses	10,665	58,295
Inventory for consumption	<u>220,785</u>	<u>237,575</u>
	<u>150,209,834</u>	<u>146,317,630</u>
ACCUMULATED SURPLUS (note 14)	<u>\$163,941,893</u>	<u>159,035,608</u>

Approved by Council:

 Mayor

 Chief Administrative Officer

TOWN OF BLACKFALDS

Consolidated Statement of Operations and Accumulated Surplus Year Ended December 31, 2017

	Budget (unaudited)	2017	2016 (restated) (note 2)
Revenue			
Net municipal taxes (page 7)	\$ 10,321,913	10,279,984	9,963,885
User fees and sales of goods	7,329,929	8,050,394	7,297,819
Franchise fees	1,473,400	1,579,663	1,429,584
Government transfers for operating (page 8)	804,244	881,091	861,428
Rentals	839,400	770,834	811,862
Licenses and permits	339,555	508,755	470,874
Investment income	130,000	297,549	228,056
Development levies	-	242,514	356,335
Penalties and costs of taxes	131,200	188,814	166,024
Fines	160,000	126,290	118,744
	<u>21,529,641</u>	<u>22,925,888</u>	<u>21,704,611</u>
Expenses (page 9)			
Amortization	4,700,000	4,777,332	4,735,579
Recreation and parks	4,528,740	4,596,962	4,577,686
Administration	2,444,610	2,318,509	2,090,860
Water supply and distribution	2,176,175	2,154,478	2,025,630
Protective services	1,954,805	1,958,390	1,905,845
Roads, streets, walks and lighting	1,866,090	1,849,173	1,707,502
Waste management	1,063,725	1,046,621	1,033,636
Planning and development	854,375	885,608	890,350
Wastewater treatment and disposal	623,700	630,124	558,280
Family and community support	575,195	593,649	543,300
Culture	456,600	451,921	517,551
Legislative	259,350	253,545	260,807
	<u>21,503,365</u>	<u>21,516,312</u>	<u>20,847,026</u>
Excess of revenue over expenses before the following	<u>26,276</u>	<u>1,409,576</u>	<u>857,585</u>
Other income			
Contributed tangible capital assets	-	-	12,442,399
Government transfers for capital (page 8)	-	3,496,709	2,781,800
	<u>-</u>	<u>3,496,709</u>	<u>15,224,199</u>
Excess of revenue over expenses	26,276	4,906,285	16,081,784
Accumulated surplus, beginning of year	<u>159,035,608</u>	<u>159,035,608</u>	<u>142,953,824</u>
Accumulated surplus, end of year	<u>\$159,061,884</u>	<u>163,941,893</u>	<u>159,035,608</u>

TOWN OF BLACKFALDS

Consolidated Statement of Changes in Net Financial Assets Year Ended December 31, 2017

	Budget (unaudited)	2017	2016 (restated) (note 2)
Excess of revenue over expenses	\$ 26,276	\$ 4,906,285	16,081,784
Acquisition of tangible capital assets	(5,798,000)	(8,733,956)	(2,824,256)
Contributed tangible capital assets	-	-	(12,442,399)
Amortization of tangible capital assets	4,700,000	4,777,332	4,735,579
Change in prepaid expenses	-	47,630	(58,498)
Change in inventory for consumption	-	16,790	(67,452)
Increase (decrease) in net financial assets	(1,071,724)	1,014,081	5,424,758
Net financial assets, beginning of year	<u>12,717,978</u>	<u>12,717,978</u>	<u>7,293,220</u>
Net financial assets, end of year	<u>\$ 13,732,059</u>	<u>\$ 13,732,059</u>	<u>12,717,978</u>

TOWN OF BLACKFALDS
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016 (restated) (note 2)
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from rate payers, services and agencies	\$ 22,814,910	20,880,247
Cash paid to suppliers, employees and agencies	(15,504,815)	(16,007,637)
Interest received	266,394	194,649
Interest paid	<u>(457,258)</u>	<u>(622,854)</u>
	<u>7,119,231</u>	<u>4,444,405</u>
Capital activities		
Purchase of tangible capital assets	(8,515,964)	(2,555,086)
Government transfers for capital	<u>905,961</u>	<u>2,781,800</u>
	<u>(7,610,003)</u>	<u>226,714</u>
Investing activities		
Dividends reinvested on investments	(9,355)	(8,972)
Redemption of investments	12,033,821	2,100,205
Acquisition of short term investments	<u>(21,299,055)</u>	<u>(14,118,853)</u>
	<u>(9,274,589)</u>	<u>(12,027,620)</u>
Financing activities		
Repayment of long-term debt	<u>(1,703,683)</u>	<u>(3,441,045)</u>
Decrease in cash	(11,469,044)	(10,797,546)
Cash, beginning of year	<u>13,024,813</u>	<u>23,822,359</u>
Cash, end of year	<u>\$ 1,555,769</u>	<u>13,024,813</u>

Included in accounts payable and accrued liabilities is \$487,162 (2016- \$269,170) relating to the purchase of tangible capital assets.

TOWN OF BLACKFALDS
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2017

	Unrestricted	Restricted	Equity in Tangible Capital Assets	2017	2016 (restated) (note 2)
Balance, beginning of year \$	1,177,073	23,637,087	134,221,448	159,035,608	142,953,824
Excess of revenue over expenses	4,906,285	-	-	4,906,285	16,081,784
Unrestricted funds designated for future use	(8,238,053)	8,238,053	-	-	-
Reserves used for tangible capital assets	-	(8,246,794)	8,246,794	-	-
Restricted funds transferred to Library fund	(60,170)	60,170	-	-	-
Annual amortization expense	4,777,332	-	(4,777,332)	-	-
Long-term debt repaid	(1,703,683)	-	1,703,683	-	-
Balance, end of year	\$ 858,784	23,688,516	139,394,593	163,941,893	159,035,608

TOWN OF BLACKFALDS
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2017

	Land and Leasehold Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2017	2016
Cost							
Beginning balance	\$ 9,597,262	46,073,924	125,753,467	7,847,779	2,182,391	191,454,823	176,188,168
Additions	1,418,242	3,661,316	254,300	176,304	612,704	6,122,866	13,779,447
Construction in progress - prior year	(559,842)	(639,267)	(1,335,845)	-	-	(2,534,954)	(1,107,024)
Construction in progress - current year	<u>223,469</u>	<u>-</u>	<u>4,922,575</u>	<u>-</u>	<u>-</u>	<u>5,146,044</u>	<u>2,594,232</u>
Ending balance	<u>10,679,131</u>	<u>49,095,973</u>	<u>129,594,497</u>	<u>8,024,083</u>	<u>2,795,095</u>	<u>200,188,779</u>	<u>191,454,823</u>
Accumulated amortization							
Beginning balance	1,736,896	6,576,942	32,760,582	3,345,644	1,012,999	45,433,063	40,697,484
Amortization	<u>184,421</u>	<u>832,794</u>	<u>3,077,330</u>	<u>501,251</u>	<u>181,536</u>	<u>4,777,332</u>	<u>4,735,579</u>
Ending balance	<u>1,921,317</u>	<u>7,409,736</u>	<u>35,837,912</u>	<u>3,846,895</u>	<u>1,194,535</u>	<u>50,210,395</u>	<u>45,433,063</u>
Net book value	<u>8,757,814</u>	<u>41,686,237</u>	<u>93,756,585</u>	<u>4,177,188</u>	<u>1,600,560</u>	<u>149,978,384</u>	<u>146,021,760</u>
2016 Net book value	\$ <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>-</u>	<u>146,021,760</u>

Included in buildings is an asset under capital lease with original cost of \$3,814,424 and accumulated amortization of \$699,017 (2016-\$635,443) for net book value of \$3,115,407 (2016 -\$3,178,981).

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, 2017

	Budget (unaudited)	2017	2016
Taxation			
Real property taxes	\$ 12,017,365	11,954,270	11,318,716
Non-residential and linear property taxes	<u>1,823,104</u>	<u>1,833,950</u>	<u>1,772,936</u>
	<u>13,840,469</u>	<u>13,788,220</u>	<u>13,091,652</u>
Requisitions			
Alberta School Foundation Fund	3,435,563	3,425,243	3,052,190
Lacombe Foundation	<u>82,993</u>	<u>82,993</u>	<u>75,577</u>
	<u>3,518,556</u>	<u>3,508,236</u>	<u>3,127,767</u>
Net municipal taxes	\$ <u>10,321,913</u>	<u>10,279,984</u>	<u>9,963,885</u>

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TOWN OF BLACKFALDS
Consolidated Schedule of Government Transfers
Year Ended December 31, 2017

	Budget (unaudited)	2017	2016
Transfers by Government:			
Transfers for Operating			
Federal government	\$ 10,000	21,165	27,625
Provincial Government	573,944	640,972	631,393
Other local governments	<u>220,300</u>	<u>218,954</u>	<u>202,410</u>
	<u>804,244</u>	<u>881,091</u>	<u>861,428</u>
Transfers for Capital			
Federal government	-	676,976	489,057
Provincial government	-	2,350,178	2,292,743
Other local governments	<u>-</u>	<u>469,555</u>	<u>-</u>
	<u>-</u>	<u>3,496,709</u>	<u>2,781,800</u>
	<u>\$ 804,244</u>	<u>4,377,800</u>	<u>3,643,228</u>
Transfers by Department:			
Transfers for Operating			
Protective services	\$ 305,344	312,780	308,049
Family and community support	242,100	273,928	300,065
Recreation and parks	192,300	221,735	172,451
Administration	64,500	72,648	68,555
Culture	<u>-</u>	<u>-</u>	<u>12,308</u>
	<u>804,244</u>	<u>881,091</u>	<u>861,428</u>
Transfers for Capital			
Recreation and parks	-	2,093,833	1,957,743
Roads, streets, walks and lighting	-	1,084,987	474,057
Wastewater treatment and disposals	-	221,717	-
Protective services	<u>-</u>	<u>96,172</u>	<u>350,000</u>
	<u>-</u>	<u>3,496,709</u>	<u>2,781,800</u>
	<u>\$ 804,244</u>	<u>4,377,800</u>	<u>3,643,228</u>

TOWN OF BLACKFALDS
Consolidated Schedule of Expense by Object
Year Ended December 31, 2017

	Budget (unaudited)	2017	2016 (restated) (note 2)
Salaries, wages and benefits	\$ 7,440,860	7,612,368	7,432,106
Amortization on tangible capital assets	4,700,000	4,777,332	4,735,579
Contracted and general services	4,057,730	3,844,045	3,683,101
Materials, goods, supplies and utilities	2,482,600	2,605,634	2,317,380
Transfers to local boards and agencies	2,146,475	2,219,676	2,077,791
Interest on long-term debt	625,700	402,670	501,626
Interest and bank charges	<u>50,000</u>	<u>54,587</u>	<u>99,443</u>
	<u>\$ 21,503,365</u>	<u>21,516,312</u>	<u>20,847,026</u>

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TOWN OF BLACKFALDS

Notes to the Consolidated Financial Statements

December 31, 2017

1. Significant Accounting Policies

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
Blackfalds Public Library

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 is acquired.

TOWN OF BLACKFALDS
Notes to the Consolidated Financial Statements
December 31, 2017

1. Significant Accounting Policies (Continued)

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 redeemable temporary investments that mature within three months.

Short -term investments include non-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, 2017

1. Significant Accounting Policies (Continued)

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 replacement cost 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, 2017

1. Significant Accounting Policies (Continued)

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, 2017

2. Restatement of Prior Years

During the year the Town included in its government reporting entity the operations of the Blackfalds Public Library. Effective January 1, 2017 the Town fully consolidated the financial position and activities of the Library in the financial Statements.

As a result of this change, prior year comparatives have been restated by increasing the following balances as at December 31, 2016: cash by \$112,840, short term investments by \$33,821, accounts receivable by \$4,619, prepaids by \$2,031, accounts payable by \$18,220 and beginning restricted reserves by \$118,726.

	<u>As Previously Stated</u>	<u>Adjustment</u>	<u>Restated</u>
<u>Statement of Financial Position</u>			
Financial assets	\$ 27,162,196	151,280	27,313,476
Liabilities	<u>14,577,278</u>	<u>18,220</u>	<u>14,595,498</u>
Net financial assets	12,584,918	133,060	12,717,978
Non-financial assets	<u>146,315,599</u>	<u>2,031</u>	<u>146,317,630</u>
Accumulated surplus	<u>\$158,900,517</u>	<u>(9,675)</u>	<u>159,035,608</u>
<u>Statement of Operations and Changes in Accumulated Surplus</u>			
Revenue	\$ 21,615,327	89,284	21,704,611
Expenses	20,774,107	72,919	20,847,026
Other income	<u>15,224,199</u>	<u>-</u>	<u>15,224,199</u>
Excess of revenue over expenses	16,065,419	16,365	16,081,784
Accumulated surplus, beginning of year	<u>142,835,098</u>	<u>118,726</u>	<u>142,953,824</u>
Accumulated surplus, end of year	<u>\$158,900,517</u>	<u>135,091</u>	<u>159,035,608</u>

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, 2017

3. Cash and temporary investments

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 3.45%) less 0.25% if utilized

Included in cash are restricted amounts of \$92,378 (2016 - \$107,776). Restricted cash is subject to the restrictions as described in note 8.

4. Short term investments

Short term investments consist of guaranteed investment certificates (GIC) that mature between January and April of 2018 and earn interest between 0.50% and 1.48%.

5. Taxes and Grants in place of taxes receivable	2017	2016
Current taxes and grants in place of taxes	\$ 660,608	569,063
Arrears	<u>17,160</u>	<u>21,693</u>
	<u>\$ 677,768</u>	<u>590,756</u>

6. Long term investments	2017	2016
Servus Credit Union shares	\$ <u>218,124</u>	<u>208,769</u>

The balance consists of preferred shares with a return of approximately 4.3% in 2017 (2016 - 5.0%).

7. Employee Benefit Obligation

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

TOWN OF BLACKFALDS

Notes to the Consolidated Financial Statements December 31, 2017

8. Deferred Revenue	2017	2016
Prepaid facility passes	\$ 64,914	80,312
Lacombe regional emergency management plan	<u>27,464</u>	<u>27,464</u>
	<u>\$ 92,378</u>	<u>107,776</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 where the amounts have not yet been utilized for the program.

9. Long-Term Debt	2017	2016
Alberta Capital Financing Authority debt bearing interest at rates ranging from 2.09% to 6.25% per year and maturing in periods from 2019 - 2025.	\$ 8,679,237	\$ 9,808,393
Capital lease repayable to Sunreal Blackfalds Ltd. bearing interest at 8.08% per year and matures in 2020.	965,575	1,238,955
Servus Credit Union debt bearing interest at prime (currently 3.45%) plus 0.21%, maturing in 2019.	<u>451,817</u>	<u>752,964</u>
	<u>\$ 10,096,629</u>	<u>\$ 11,800,312</u>

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

	Principal	Interest	Total
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	1,322,861	149,171	1,472,032
2022	1,364,373	106,661	1,471,034
Subsequent	<u>2,417,052</u>	<u>126,126</u>	<u>2,543,178</u>
	<u>\$ 10,096,629</u>	<u>\$ 1,148,177</u>	<u>\$ 11,244,806</u>

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, 2017

10. Contingencies

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.

11. Debt Limits **2017** 2016

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	\$ 34,388,832	32,556,917
Total debt	<u>(10,096,629)</u>	<u>(11,800,312)</u>
Amount of debt limit unused	<u>24,292,203</u>	<u>20,756,605</u>
Service limit of debt	\$ 5,731,472	5,426,153
Service on debt	<u>(2,026,319)</u>	<u>(2,093,094)</u>
Amount of debt servicing limit unused	<u>7,757,791</u>	<u>1,978,792</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, 2017

12. Commitments

The Town of Blackfalds has an agreement for recycling and waste management services expiring June 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 2017 contract cost the Town \$548,050 (2016- \$564,618).

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 of Blackfalds has a commitment to various vendors for the completion of the Broadway expansion to be finished in Spring 2018. The total projected cost of the project is \$3,522,867 with the town incurring \$2,742,465 to date.

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.

13. Equity in Tangible Capital Assets	2017	2016
Tangible capital assets (page 6)	\$ 200,188,779	191,454,823
Accumulated amortization (page 6)	(50,210,395)	(45,433,063)
Long-term debt (note 9)	(10,096,629)	(11,800,312)
Capital payables	<u>(487,162)</u>	<u>-</u>
	<u>\$ 139,394,593</u>	<u>134,221,448</u>

TOWN OF BLACKFALDS
Notes to the Consolidated Financial Statements
December 31, 2017

14. Accumulated Surplus	2017	2016 (restated) (note 2)
Unrestricted surplus	\$ <u>858,784</u>	<u>1,177,071</u>
Restricted surplus		
Operating:		
General	3,220,896	3,198,146
Library	<u>195,261</u>	<u>135,091</u>
	<u>3,416,157</u>	<u>3,333,237</u>
Capital:		
General	14,176,319	14,364,350
Water	4,669,275	3,901,937
Roads	<u>1,426,765</u>	<u>2,037,564</u>
	<u>20,272,359</u>	<u>20,303,851</u>
Total reserves	<u>23,688,516</u>	<u>23,637,088</u>
Equity in tangible capital assets (note 13)	<u>139,394,593</u>	<u>134,221,448</u>
	<u>\$163,941,893</u>	<u>159,035,608</u>

TOWN OF BLACKFALDS
Notes to the Consolidated Financial Statements
December 31, 2017

15. Salary and Benefits Disclosure **2017** 2016

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
Councillors				
Mayor Stol	\$ 29,141	1,117	\$ 30,258	36,972
Councillor Taylor	22,692	811	23,503	20,641
Councillor Olfert	20,602	720	21,322	20,289
Councillor Poole	15,057	553	15,610	20,357
Councillor Sutherland	14,191	470	14,661	18,304
Councillor Wyndham	13,531	441	13,972	17,845
Councillor Wigmore	9,318	301	9,619	19,106
Mayor Poole	9,010	357	9,367	-
Councillor Appel	6,094	222	6,316	-
Councillor Hoover	5,984	217	6,201	-
Councillor Svab	5,874	213	6,087	-
Councillor Stendie	5,764	208	5,972	-
Chief Administrative Officer	178,718	32,183	<u>210,901</u>	<u>203,384</u>
			<u>\$ 373,789</u>	<u>356,898</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, 2017

16. 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 Alberta Public Sector Pension Plans Act. The LAPP serves about 254,000 people and 417 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14.84% on pensionable earnings above that amount. Employees of the municipality are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary and 13.84% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2017 were \$615,877 (2016 -\$583,376). Total current service contributions by employees of the Town of Blackfalds to the LAPP in 2017 were \$566,854 (2016 - \$536,644).

As at December 2016 the LAPP disclosed an actuarial deficiency of \$637 million. The 2017 actuarial deficiency has not yet been disclosed.

TOWN OF BLACKFALDS
Notes to the Consolidated Financial Statements
December 31, 2017

17. Financial Instruments

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.

18. Approval of the Financial Statements

Council and Management have approved of these financial statements.

TOWN OF BLACKFALDS
Supplementary Financial Information
Year Ended December 31, 2017

Reconciliation of 2017 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)	2017	2016 (restated) (note 2)
Excess of revenue over expenses per financial statements	\$ 26,276	4,906,285	16,081,784
Capital expenditures:			
Add: amortization expense	4,700,000	4,777,332	4,735,579
Deduct: Tangible capital assets acquired	<u>(5,798,000)</u>	<u>(8,733,956)</u>	<u>(15,266,655)</u>
Excess (deficiency) of operating and capital revenues over expenditures	(1,071,724)	949,661	5,550,708
Capital financing:			
Less: repayment of capital debt	<u>(1,352,995)</u>	<u>(1,703,682)</u>	<u>(3,441,041)</u>
Net surplus (deficiency) before the following	(2,424,719)	(754,021)	2,109,667
Other:			
Add (deduct) : transfer from (to) operating reserves	19,000	(51,430)	(66,366)
Deduct: transfer from (to) capital reserves	<u>2,405,719</u>	<u>487,162</u>	<u>(1,165,163)</u>
Increase (decrease) in unrestricted surplus	\$ <u>-</u>	<u>(318,289)</u>	<u>878,138</u>