

# TOWN OF BLACKFALDS



Consolidated Financial Statements and  
Auditor's Report

December 31, 2019



**RSM Alberta LLP**  
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## INDEPENDENT AUDITOR'S REPORT

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### To the Members of Council of Town of Blackfalds

#### *Opinion*

We have audited the accompanying consolidated financial statements of Town of Blackfalds, which comprises of the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2019, the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

#### *Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of these 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.

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

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

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*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

Red Deer County, Alberta  
June 30, 2020

RSM Alberta LLP

Chartered Professional Accountants

# TOWN OF BLACKFALDS

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December 31, 2019

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**TOWN OF BLACKFALDS**  
**Consolidated Statement of Financial Position**  
**December 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments (note 2)	\$ 11,181,496	9,121,906
Short term investments (note 3)	16,274,333	18,135,216
Taxes and grants in place of taxes receivable (note 4)	546,917	791,844
Trade and other receivables	1,963,793	1,880,919
Long-term investments (note 5)	<u>238,455</u>	<u>227,900</u>
	<u>30,204,994</u>	<u>30,157,785</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,369,281	1,899,082
Employee benefit obligation (note 8)	351,519	417,283
Prepaid taxes	59,780	59,968
Deposit liabilities	739,163	992,510
Deferred revenue (note 9)	230,962	190,061
Long-term debt (note 10)	<u>7,337,802</u>	<u>8,392,794</u>
	<u>10,088,507</u>	<u>11,951,698</u>
Contingencies (note 11)		
<b>NET FINANCIAL ASSETS</b>	<u>20,116,487</u>	<u>18,206,087</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (page 6)	156,263,192	150,225,148
Prepaid expenses	217,003	5,306
Inventory for consumption	<u>271,052</u>	<u>225,656</u>
	<u>156,751,247</u>	<u>150,456,110</u>
<b>ACCUMULATED SURPLUS</b> (page 5 & note 15)	<u>\$ 176,867,734</u>	<u>168,662,197</u>

Approved by Council:

*Richard Poole*

Mayor

DocuSigned by:

*Myron Thompson*

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Chief Administrative Officer

See accompanying schedules and notes.

**TOWN OF BLACKFALDS****Consolidated Statement of Operations and Accumulated Surplus  
Year Ended December 31, 2019**

	Budget (unaudited)	2019	2018
<b>Revenue</b>			
Net municipal taxes (page 7)	\$ 11,270,934	11,221,508	10,774,006
User fees and sales of goods	8,825,320	8,286,064	8,265,347
Franchise fees	1,649,000	1,693,493	1,611,272
Rentals	694,000	1,347,458	1,099,140
Government transfers for operating (page 8)	861,500	943,297	871,030
Investment income	210,000	587,640	466,792
Licenses and permits	369,400	357,584	378,513
Development levies	-	247,958	351,295
Penalties and costs of taxes	172,200	189,945	196,298
Fines	145,000	99,100	108,022
	<u>24,197,354</u>	<u>24,974,047</u>	<u>24,121,715</u>
<b>Expenses (page 9)</b>			
Amortization	4,700,000	4,961,599	4,871,161
Recreation and parks	4,609,840	4,848,485	4,556,299
Administration	2,732,190	2,522,662	2,475,133
Protective services	2,291,335	2,346,632	2,099,736
Water supply and distribution	2,413,327	2,092,032	2,393,779
Wastewater treatment and disposal	1,946,044	1,915,463	1,691,684
Roads, streets, walks and lighting	1,900,915	1,843,918	1,710,864
Waste management	1,173,005	1,243,453	1,292,579
Planning and development	880,550	929,803	743,641
Family and community support	542,950	556,889	564,380
Culture	396,100	480,131	437,346
Legislative	360,450	371,323	290,505
	<u>23,946,706</u>	<u>24,112,390</u>	<u>23,127,107</u>
<b>Excess of revenue over expenses before the following</b>	<u>250,648</u>	<u>861,657</u>	<u>994,608</u>
<b>Other income</b>			
Contributed tangible capital assets	-	5,646,975	2,313,925
Government transfers for capital (page 8)	-	3,099,707	1,459,205
Gain on disposal of land	-	650,000	-
Loss on disposal of tangible capital assets	-	(2,052,802)	(47,434)
	<u>-</u>	<u>7,343,880</u>	<u>3,725,696</u>
<b>Excess of revenue over expenses</b>	<b>250,648</b>	<b>8,205,537</b>	<b>4,720,304</b>
<b>Accumulated surplus, beginning of year</b>	<u>168,662,197</u>	<u>168,662,197</u>	<u>163,941,893</u>
<b>Accumulated surplus, end of year</b>	<b>\$ 168,912,845</b>	<b>176,867,734</b>	<b>168,662,197</b>

See accompanying schedules and notes.

**TOWN OF BLACKFALDS**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2019**

	<b>Budget</b> (unaudited)	<b>2019</b>	2018
<b>Excess of revenue over expenses</b>	<b>\$ 250,648</b>	<b>\$ 8,205,537</b>	4,720,304
Acquisition of tangible capital assets	-	<b>(7,803,170)</b>	(2,856,323)
Contributed tangible capital assets	-	<b>(5,646,975)</b>	(2,313,925)
Amortization of tangible capital assets	<b>4,700,000</b>	<b>4,961,599</b>	4,871,161
Loss on disposal of tangible capital assets	-	<b>2,052,802</b>	47,434
Proceeds on disposal of tangible capital assets	-	<b>397,700</b>	4,890
Change in prepaid expenses	-	<b>(211,697)</b>	5,358
Change in inventory for consumption	<u>-</u>	<u><b>(45,396)</b></u>	<u>(4,871)</u>
<b>Increase in net financial assets</b>	<b>4,950,648</b>	<b>1,910,400</b>	4,474,028
<b>Net financial assets, beginning of year</b>	<u><b>18,206,087</b></u>	<u><b>18,206,087</b></u>	<u>13,732,059</u>
<b>Net financial assets, end of year</b>	<u><b>\$ 23,156,735</b></u>	<u><b>\$ 20,116,487</b></u>	<u>18,206,087</u>

See accompanying schedules and notes.

**TOWN OF BLACKFALDS**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2019**

	2019	2018
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from rate payers, services and agencies	\$ 24,554,874	25,482,642
Cash paid to suppliers, employees and agencies	(19,770,384)	(17,810,350)
Interest received	577,095	469,574
Interest paid	(298,751)	(334,228)
	<u>5,062,834</u>	<u>7,807,638</u>
<b>Capital activities</b>		
Purchase of tangible capital assets	(7,990,831)	(3,155,825)
Government transfers for capital	3,144,551	1,459,205
Proceeds on sale of tangible capital assets	397,700	4,891
Proceeds on sale of Land	650,000	-
	<u>(3,798,580)</u>	<u>(1,691,729)</u>
<b>Investing activities</b>		
Dividends reinvested on long-term investments	(10,555)	(9,776)
Redemption of short term investments	18,135,216	21,299,055
Acquisition of short term investments	(16,274,333)	(18,135,216)
	<u>1,850,328</u>	<u>3,154,063</u>
<b>Financing activities</b>		
Proceeds from long-term debt	675,782	-
Repayment of long-term debt	(1,730,774)	(1,703,835)
	<u>(1,054,992)</u>	<u>(1,703,835)</u>
<b>Increase in cash</b>	<b>2,059,590</b>	<b>7,566,137</b>
<b>Cash, beginning of year</b>	<b>9,121,906</b>	<b>1,555,769</b>
<b>Cash, end of year</b>	<b>\$ 11,181,496</b>	<b>9,121,906</b>

Included in accounts payable and accrued liabilities is \$Nil (2018 - \$187,661) relating to the purchase of tangible capital assets.

Contributed tangible capital assets of \$5,646,975 (2018 - \$2,313,925) are not included in the statement of cash flows as they are non-cash transactions.

See accompanying schedules and notes.



**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Changes in Accumulated Surplus**  
**Year Ended December 31, 2019**

	Unrestricted	Restricted	Equity in Tangible Capital Assets	2019	2018
<b>Balance, beginning of year</b>	\$ 3,307,867	23,709,637	141,644,693	168,662,197	163,941,893
Excess of revenue over expenses	8,205,537	-	-	8,205,537	4,720,304
Unrestricted funds designated for future use	(5,899,038)	5,899,038	-	-	-
Transfers to reserves	(3,407,695)	3,407,695	-	-	-
Reserves used for tangible capital assets	-	(7,990,831)	7,990,831	-	-
Contributed tangible capital assets	(5,646,975)	-	5,646,975	-	-
New debt for tangible capital assets	675,782	-	(675,782)	-	-
Disposal/writedown of tangible capital assets	2,450,502	-	(2,450,502)	-	-
Annual amortization expense	4,961,599	-	(4,961,599)	-	-
Long-term debt repaid	(1,730,774)	-	1,730,774	-	-
<b>Balance, end of year</b>	<u>\$ 2,916,805</u>	<u>25,025,539</u>	<u>148,925,390</u>	<u>176,867,734</u>	<u>168,662,197</u>



**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2019**

	Land and Leasehold Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2019	2018
<b>Cost</b>							
Beginning balance	\$ 11,720,203	49,283,863	132,590,555	8,734,320	2,918,842	205,247,783	200,188,779
Additions	938,283	5,041,755	9,641,929	396,989	-	16,018,956	4,149,407
Construction in progress - prior year	(512,172)	(99,947)	(5,614,044)	-	-	(6,226,163)	(5,205,321)
Construction in progress - current year	1,553,631	-	2,103,721	-	-	3,657,352	6,226,163
Disposals/ writedown	-	(3,048,104)	-	(296,125)	-	(3,344,229)	(111,245)
Ending balance	<u>13,699,945</u>	<u>51,177,567</u>	<u>138,722,161</u>	<u>8,835,184</u>	<u>2,918,842</u>	<u>215,353,699</u>	<u>205,247,783</u>
<b>Accumulated amortization</b>							
Beginning balance	2,092,680	8,334,063	38,917,132	4,333,338	1,345,422	55,022,635	50,210,395
Amortization	281,054	927,409	3,083,477	497,649	172,010	4,961,599	4,871,161
Disposals/ writedown	-	(742,429)	-	(151,298)	-	(893,727)	(58,921)
Ending balance	<u>2,373,734</u>	<u>8,519,043</u>	<u>42,000,609</u>	<u>4,679,689</u>	<u>1,517,432</u>	<u>59,090,507</u>	<u>55,022,635</u>
<b>Net book value</b>	<u>11,326,211</u>	<u>42,658,524</u>	<u>96,721,552</u>	<u>4,155,495</u>	<u>1,401,410</u>	<u>156,263,192</u>	<u>150,225,148</u>
2018 Net book value	\$ <u>9,627,523</u>	<u>40,949,800</u>	<u>93,673,423</u>	<u>4,400,982</u>	<u>1,573,420</u>	<u>-</u>	<u>150,225,148</u>

Included in buildings is an asset under capital lease with original cost of \$3,814,424 and accumulated amortization of \$826,165 (2018-\$762,591) for net book value of \$2,988,259 (2018 -\$3,051,833 ).

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**  
**Schedule of Property and Other Taxes**  
**Year Ended December 31, 2019**

	<b>Budget</b> (unaudited)	<b>2019</b>	2018
<b>Taxation</b>			
Real property taxes	\$ 12,808,118	12,886,888	12,476,106
Non-residential and linear property taxes	<u>2,037,619</u>	<u>2,074,356</u>	<u>1,886,632</u>
	<u>14,845,737</u>	<u>14,961,244</u>	<u>14,362,738</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	3,492,700	3,657,663	3,504,877
Lacombe Foundation	<u>82,103</u>	<u>82,073</u>	<u>83,855</u>
	<u>3,574,803</u>	<u>3,739,736</u>	<u>3,588,732</u>
<b>Net municipal taxes</b>	<b>\$ <u>11,270,934</u></b>	<b><u>11,221,508</u></b>	<b><u>10,774,006</u></b>

**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Government Transfers**  
**Year Ended December 31, 2019**

	Budget (unaudited)	2019	2018
<b>Transfers by Government:</b>			
<b>Transfers for Operating</b>			
Federal government	\$ 13,000	-	6,646
Provincial Government	621,900	675,218	625,549
Other local governments	<u>226,600</u>	<u>268,079</u>	<u>238,835</u>
	<u>861,500</u>	<u>943,297</u>	<u>871,030</u>
<b>Transfers for Capital</b>			
Provincial government	201,500	3,049,707	1,459,205
Other local governments	<u>-</u>	<u>50,000</u>	<u>-</u>
	<u>201,500</u>	<u>3,099,707</u>	<u>1,459,205</u>
	<u>\$ 1,063,000</u>	<u>4,043,004</u>	<u>2,330,235</u>

**Transfers by Department:**

<b>Transfers for Operating</b>			
Protective services	\$ 314,500	319,400	317,728
Family and community support	239,000	268,134	271,267
Recreation and parks	232,050	229,709	207,081
Administration	<u>64,500</u>	<u>126,054</u>	<u>74,954</u>
	<u>850,050</u>	<u>943,297</u>	<u>871,030</u>
<b>Transfers for Capital</b>			
Roads, streets, walks and lighting	-	2,919,568	-
Recreation and parks	-	149,528	1,459,205
Administration	<u>-</u>	<u>30,611</u>	<u>-</u>
	<u>-</u>	<u>3,099,707</u>	<u>1,459,205</u>
	<u>\$ 850,050</u>	<u>4,043,004</u>	<u>2,330,235</u>

**TOWN OF BLACKFALDS**  
**Consolidated Schedule of Expense by Object**  
**Year Ended December 31, 2019**

	<b>Budget</b> (unaudited)	<b>2019</b>	<b>2018</b>
Salaries, wages and benefits	\$ 9,235,400	9,246,239	8,652,142
Amortization on tangible capital assets	4,700,000	4,961,599	4,871,161
Contracted and general services	4,214,779	4,189,503	3,791,586
Transfers to local boards and agencies	3,170,030	3,018,529	2,925,963
Materials, goods, supplies and utilities	2,325,997	2,397,615	2,552,027
Interest on long-term debt	254,500	254,870	297,478
Interest and bank charges	<u>46,000</u>	<u>44,035</u>	<u>36,750</u>
	<u>\$ 23,946,706</u>	<u>24,112,390</u>	<u>23,127,107</u>

# **TOWN OF BLACKFALDS**

## **Consolidated Notes to the Financial Statements**

### **December 31, 2019**

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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 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**

## **Consolidated Notes to the Financial Statements**

### **December 31, 2019**

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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 standards 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 are recorded at cost and 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**

## **Consolidated Notes to the Financial Statements**

### **December 31, 2019**

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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 other governments 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.

##### **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.

##### **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. **Prepaid Expenses**

Expenses paid in advance where services have not been performed or materials have not been received.

ii. **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.



**TOWN OF BLACKFALDS**  
**Consolidated Notes to the Financial Statements**  
**December 31, 2019**

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

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iii. Cultural and historical tangible capital assets

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

iv. 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 and leasehold improvements	15 to 70 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.

**Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at fair value once either the final acceptance certificate or construction completion certificate is received. The contribution is recognized as other income in the year of receipt.

**TOWN OF BLACKFALDS**  
**Consolidated Notes to the Financial Statements**  
**December 31, 2019**

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**2. Cash and temporary investments**

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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 2.45%) less 0.25% if utilized. The line of credit was not being utilized at year end.

Included in cash are restricted amounts of \$230,962 (2018 - \$190,061). Restricted cash is subject to the restrictions as described in note 9.

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**3. Short term investments**

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Short term investments consist of guaranteed investment certificates (GIC) that mature between January and April of 2020 and earn interest between 1.95% and 2.10%. The investments were invested at maturity.

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<b>4. Taxes and Grants in place of taxes receivable</b>	<b>2019</b>	<b>2018</b>
Current taxes and grants in place of taxes	\$ 530,657	786,836
Arrears	<u>16,260</u>	<u>5,008</u>
	<u>\$ 546,917</u>	<u>791,844</u>

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**5. Long term investments**

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The balance consists of preferred shares in Servus Credit Union earning a return of approximately 4.6% (2018 - 4.5%).

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**6. Contingent Asset**

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The Town is eligible to receive a Federal Gas Tax Fund grant of \$546,908 for 2018 and \$1,144,131 for 2019. Receipt of the funds are contingent on the Government of Alberta approving the transfer of funds. The 2018 Federal Gas Tax Fund was received in March 2020. The 2019 funding will be applied for in 2020.

# TOWN OF BLACKFALDS

## Consolidated Notes to the Financial Statements

### December 31, 2019

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#### 7. Contractual Assets

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The Town has contractual rights to franchise fees from ATCO Gas and Fortis Alberta for 35% and 20% respectively of the gross usage charges for gas and electricity respectively each year.

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#### 8. 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.

Vacation and overtime are governed by various employment agreements and Alberta Labour Standards. Overtime can be banked or paid out. Certain employees are allowed to bank up to 40 hours of overtime a year.

Sick time is accrued at a rate of 1 days a month to a maximum of 480 hours. The accrual is reduced when sick time is taken by the employee. Employees are only allowed to accrue up to 12 days per year to use as sick time and the accrual does not vest with the employee.

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9. Deferred Revenue	2019	2018
Prepaid facility revenue	\$ 74,221	54,677
FCSS Donations	58,541	58,924
Prepaid animal licences	56,175	-
Lacombe regional emergency management plan	42,025	27,464
Prepaid education levy	<u>-</u>	<u>48,996</u>
	<u>\$ 230,962</u>	<u>190,061</u>

Prepaid facility revenue includes passes that have been provided to the public and prepaid minor hockey ice rental, as well as facility advertising to be recognized when the pass or ice is used. Facility advertising is recognized on a monthly basis.

FCSS donations include money raised through fundraising events that will be recognized once utilized for the programs.

Prepaid animal licenses include 2020 license fees collected in advance of the 2020 license year.

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

Prepaid education levy consisted of education levy over collections applied to the current year education levies.

**TOWN OF BLACKFALDS**  
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**December 31, 2019**

<b>10. Long-Term Debt</b>	<b>2019</b>	<b>2018</b>
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.	<b>\$ 6,989,700</b>	\$ 7,514,861
Capital lease repayable to Sunreal Blackfalds Ltd. bearing interest at 8.08% per year and matures in 2020.	<b>348,102</b>	669,266
Servus Credit Union repaid.	<u>-</u>	<u>208,667</u>
	<b><u>\$ 7,337,802</u></b>	<b><u>\$ 8,392,794</u></b>

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

	Principal	Interest	Total
2020	\$ 1,608,997	\$ 223,047	\$ 1,832,044
2021	1,300,339	169,176	1,469,515
2022	1,327,715	118,861	1,446,576
2023	1,036,104	78,245	1,114,349
2024	1,018,708	59,415	1,078,123
Subsequent	<u>1,045,939</u>	<u>135,130</u>	<u>1,181,069</u>
	<b><u>\$ 7,337,802</u></b>	<b><u>\$ 783,874</u></b>	<b><u>\$ 8,121,676</u></b>

**11. 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.

**TOWN OF BLACKFALDS**  
**Consolidated Notes to the Financial Statements**  
**December 31, 2019**

<b>12. Debt Limits</b>	<b>2019</b>	<b>2018</b>
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>\$ 37,393,806</b>	36,242,423
Total debt	<u><b>(7,337,802)</b></u>	<u>(8,392,794)</u>
Amount of debt limit unused	<u><b>30,056,004</b></u>	<u>27,849,629</u>
Service limit of debt	<b>\$ 6,232,301</b>	6,040,404
Service on debt	<u><b>(1,832,044)</b></u>	<u>(1,987,962)</u>
Amount of debt servicing limit unused	<u><b>\$ 4,400,257</b></u>	<u>4,052,442</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

### Consolidated Notes to the Financial Statements

#### December 31, 2019

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### 13. Commitments

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The Town of Blackfalds had an agreement for recycling and waste management. Starting January 2020, the rates are fixed at \$11.30 per household per month, and \$59 per commercial bin per month. These rates increase annually by the Consumer Price Index as stated by Statistics Canada. The 2019 contract cost the Town \$672,647 (2018- \$664,455).

The Town of Blackfalds has an agreement with the North Red Deer Regional Wastewater Services commission at a fixed rate of \$1.87 per cubic meter per month and variable charges for overstrength charges and minimum allocation. The 2019 contract cost the town \$1,400,194 (2018- \$1,019,276).

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 \$348,918. Under the terms of this agreement the Town is committed to a minimum of 365 days notice prior to termination of the agreement.

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.

The Town has entered into an agreement for the Blackfalds Linear Wetland Trunk and Outlet Phase 1, for storm water management, for a total contract price of \$5,084,344 to be incurred in 2020.

Subsequent to the year end, the Town entered into an agreement to undertake the expansion of the Multiplex Arena. The contract has a guaranteed maximum price of \$24,600,000 and construction is expected to start in 2020.

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### 14. Equity in Tangible Capital Assets

**2019**
**2018**


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Tangible capital assets (page 6)	<b>\$ 215,353,699</b>	205,247,783
Accumulated amortization (page 6)	<b>(59,090,507)</b>	(55,022,635)
Long-term debt (note 10)	<b>(7,337,802)</b>	(8,392,794)
Capital payables	<u>-</u>	<u>(187,661)</u>
	<b><u>\$ 148,925,390</u></b>	<u>141,644,693</u>

**TOWN OF BLACKFALDS**  
**Consolidated Notes to the Financial Statements**  
**December 31, 2019**

<b>15. Accumulated Surplus</b>	<b>2019</b>	<b>2018</b>
<b>Unrestricted surplus</b>	<b>\$ <u>2,916,805</u></b>	<u>3,307,867</u>
<b>Restricted surplus</b>		
<b>Operating:</b>		
General	3,250,196	3,235,545
Library	<u>247,683</u>	<u>235,129</u>
	<u>3,497,879</u>	<u>3,470,674</u>
<b>Capital:</b>		
General	14,880,472	14,905,930
Water	6,524,602	5,333,033
Roads	<u>122,586</u>	<u>-</u>
	<u>21,527,660</u>	<u>20,238,963</u>
<b>Total reserves</b>	<u>25,025,539</u>	<u>23,709,637</u>
<b>Equity in tangible capital assets (note 14)</b>	<u>148,925,390</u>	<u>141,644,693</u>
	<u>\$176,867,734</u>	<u>168,662,197</u>

**TOWN OF BLACKFALDS**  
**Consolidated Notes to the Financial Statements**  
**December 31, 2019**

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**16. Salary and Benefits Disclosure** **2019** 2018

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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 Poole	\$ 42,971	7,920	\$ 50,891	47,946
Councillor Appel	23,507	6,000	29,507	29,280
Councillor Hoover	23,507	5,760	29,267	28,777
Councillor Taylor	23,507	5,520	29,027	27,965
Councillor Stendie	23,507	5,280	28,787	27,702
Councillor Olfert	23,507	5,160	28,667	26,717
Councillor Svab	23,507	3,960	<u>27,467</u>	<u>25,196</u>
			<b>223,613</b>	213,583
Chief Administrative Officer	209,857	29,533	<u>239,390</u>	<u>228,085</u>
			<b>\$ 463,003</b>	<u>441,668</u>

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honorarium 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

## Consolidated Notes to the Financial Statements

### December 31, 2019

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#### 17. 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 266,000 people and 421 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 13.84% on pensionable earnings above that amount. Employees of the municipality are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2019 were \$581,490 (2018 - \$582,525). Total current service contributions by employees of the Town of Blackfalds to the LAPP in 2019 were \$528,241 (2018 - \$532,619).

As at December 2018 the LAPP disclosed an actuarial surplus of \$3.469 billion (2017- \$4.835 billion surplus). The 2019 amount is not currently available.

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#### 18. Subsequent Event

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On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. In Canada, the Government of Alberta declared a provincial state of public health emergency as per the Province of Alberta's Public Health Act on March 17, 2020 with respect to COVID-19. As of the date of these financial statements, the extent to which COVID-19 impacts the Town's operations will depend on future developments, which are highly uncertain and cannot be predicted. The facilities the Town operates have been closed to the public since March 16 and all programs were canceled. As of May 25 all the Town facilities opened to the public including the Civic Centre, Operations Centre, Fire Hall, and Community Centre under compliance of the current health authorities regulations. The Abbey Centre is set to reopen on June 19 in parts as regulations are updated. The pandemic is ongoing and an increase in active infections may require the Town to reinstate closures or take other actions to further contain the virus.

# **TOWN OF BLACKFALDS**

## **Consolidated Notes to the Financial Statements**

### **December 31, 2019**

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#### **19. Financial Instruments**

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The Town of Blackfalds' 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.

##### **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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#### **20. Comparative Amounts**

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The presentation of certain amounts of the previous year has been changed to conform with the presentation adopted for the current year.

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#### **21. Approval of the Financial Statements**

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Council and Management have approved these financial statements.

**TOWN OF BLACKFALDS**  
**Supplementary Financial Information**  
**Year Ended December 31, 2019**

**Reconciliation of 2019 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)	2019	2018
<b>Excess of revenue over expenses per financial statements</b>	\$ 250,648	8,205,537	4,720,304
<b>Capital expenditures:</b>			
Add: amortization expense	4,700,000	4,961,599	4,871,161
Deduct: tangible capital assets acquired	(5,798,000)	(7,990,831)	(3,155,825)
Add: write down of tangible capital assets	-	2,450,502	52,324
Deduct: contributed capital assets	<u>-</u>	<u>(5,646,975)</u>	<u>(2,313,925)</u>
Excess (deficiency) of operating and capital revenues over expenditures	(847,352)	1,979,832	4,174,039
<b>Capital financing:</b>			
Add: proceeds on capital debt	-	675,782	-
Less: repayment of capital debt	<u>(1,352,995)</u>	<u>(1,730,774)</u>	<u>(1,703,835)</u>
Net surplus (deficiency) before the following	(2,200,347)	924,840	2,470,204
<b>Other:</b>			
Deduct: transfer from (to) operating reserves	19,000	(27,204)	(54,518)
Deduct: transfer from (to) capital reserves	<u>2,405,719</u>	<u>(1,288,698)</u>	<u>33,397</u>
<b>Increase (decrease) in unrestricted surplus</b>	<u>\$ 224,372</u>	<u>(391,062)</u>	<u>2,449,083</u>