

TOWN OF BLACKFALDS

Consolidated Financial Statements and Auditor's Report

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

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, 2018 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, 2018, 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.

Other Matter

The consolidated financial statements of the Town of Blackfalds for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2018.

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.

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.

RSM Alberta LLP

Red Deer County, Alberta
April 29, 2018

Chartered Professional Accountants

TOWN OF BLACKFALDS

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TOWN OF BLACKFALDS
Consolidated Statement of Financial Position
December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (note 2)	\$ 9,121,906	1,555,769
Short term investments (note 3)	18,135,216	21,299,055
Taxes and grants in place of taxes receivable (note 4)	791,844	677,768
Trade and other receivables	1,880,919	3,783,283
Long-term investments (note 5)	<u>227,900</u>	<u>218,124</u>
	<u>30,157,785</u>	<u>27,533,999</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,899,082	2,013,565
Employee benefit obligation (note 8)	417,283	405,882
Prepaid taxes	59,968	29,986
Deposit liabilities	992,510	1,078,046
Deferred revenue (note 9)	190,061	177,832
Long-term debt (note 10)	<u>8,392,794</u>	<u>10,096,629</u>
	<u>11,951,698</u>	<u>13,801,940</u>
Contingencies (note 11)		
NET FINANCIAL ASSETS	<u>18,206,087</u>	<u>13,732,059</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (page 6)	150,225,148	149,978,384
Prepaid expenses	5,306	10,665
Inventory for consumption	<u>225,656</u>	<u>220,785</u>
	<u>150,456,110</u>	<u>150,209,834</u>
ACCUMULATED SURPLUS (note 15)	<u>\$ 168,662,197</u>	<u>163,941,893</u>

Approved by Council:

Richard Poole

Mayor

[Signature]

Chief Administrative Officer

TOWN OF BLACKFALDS

Consolidated Statement of Operations and Accumulated Surplus Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
Revenue			
Net municipal taxes (page 7)	\$ 10,822,830	10,774,006	10,279,984
User fees and sales of goods	7,947,335	8,265,348	8,050,393
Franchise fees	1,581,000	1,611,271	1,579,664
Rentals	768,400	1,139,040	663,084
Government transfers for operating (page 8)	850,050	871,030	881,091
Investment income	190,000	466,792	297,549
Licenses and permits	427,965	378,513	508,755
Development levies	-	351,295	242,514
Penalties and costs of taxes	152,200	196,298	188,814
Fines	145,000	108,022	126,290
	<u>22,884,780</u>	<u>24,161,615</u>	<u>22,818,138</u>
Expenses (page 9)			
Amortization	4,700,000	4,871,161	4,777,332
Recreation and parks	4,537,525	4,596,199	4,557,962
Administration	2,670,324	2,475,133	2,318,509
Water supply and distribution	2,354,875	2,393,779	2,154,478
Protective services	2,167,717	2,099,736	1,958,390
Roads, streets, walks and lighting	1,804,260	1,710,864	1,849,173
Wastewater treatment and disposal	1,579,300	1,691,684	630,124
Waste management	1,154,425	1,292,579	1,046,621
Planning and development	853,050	743,641	885,608
Family and community support	551,980	564,380	593,649
Culture	380,000	437,346	383,171
Legislative	315,125	290,505	253,545
	<u>23,068,581</u>	<u>23,167,007</u>	<u>21,408,562</u>
Excess (deficiency) of revenue over expenses before the following	<u>(183,801)</u>	<u>994,608</u>	<u>1,409,576</u>
Other income			
Government transfers for capital (page 8)	201,500	1,459,205	3,496,709
Contributed tangible capital assets	-	2,313,925	-
Loss on disposal of tangible capital assets	-	(47,434)	-
	<u>201,500</u>	<u>3,725,696</u>	<u>3,496,709</u>
Excess (deficiency) of revenue over expenses	17,699	4,720,304	4,906,285
Accumulated surplus, beginning of year	<u>163,941,893</u>	<u>163,941,893</u>	<u>159,035,608</u>
Accumulated surplus, end of year	<u>\$163,959,592</u>	<u>168,662,197</u>	<u>163,941,893</u>

TOWN OF BLACKFALDS
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
Excess (deficiency) of revenue over expenses	\$ 17,699	\$ 4,720,304	4,906,285
Acquisition of tangible capital assets	-	(2,856,323)	(8,733,956)
Contributed tangible capital assets	-	(2,313,925)	-
Amortization of tangible capital assets	4,700,000	4,871,161	4,777,332
Write down of tangible capital assets	-	52,324	-
Change in prepaid expenses	-	5,358	47,630
Change in inventory for consumption	<u>-</u>	<u>(4,871)</u>	<u>16,790</u>
Increase in net financial assets	4,717,699	4,474,028	1,014,081
Net financial assets, beginning of year	<u>13,732,059</u>	<u>13,732,059</u>	<u>12,717,978</u>
Net financial assets, end of year	<u>\$ 18,206,087</u>	<u>\$ 18,206,087</u>	<u>13,732,059</u>

TOWN OF BLACKFALDS
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
CASH PROVIDED BY (USED FOR)		
Operating activities		
Cash receipts from rate payers, services and agencies	\$ 25,522,541	22,729,134
Cash paid to suppliers, employees and agencies	(17,850,249)	(15,419,039)
Interest received	469,574	266,394
Interest paid	<u>(334,228)</u>	<u>(457,258)</u>
	<u>7,807,638</u>	<u>7,119,231</u>
Capital activities		
Purchase of tangible capital assets	(3,155,825)	(8,515,964)
Government transfers for capital	1,459,205	905,961
Proceeds on sale of tangible capital assets	<u>4,891</u>	<u>-</u>
	<u>(1,691,729)</u>	<u>(7,610,003)</u>
Investing activities		
Dividends reinvested on long-term investments	(9,776)	(9,355)
Redemption of short term investments	21,299,055	12,033,821
Acquisition of short term investments	<u>(18,135,216)</u>	<u>(21,299,055)</u>
	<u>3,154,063</u>	<u>(9,274,589)</u>
Financing activities		
Repayment of long-term debt	<u>(1,703,835)</u>	<u>(1,703,683)</u>
Increase (decrease) in cash	7,566,137	(11,469,044)
Cash, beginning of year	<u>1,555,769</u>	<u>13,024,813</u>
Cash, end of year	<u>\$ 9,121,906</u>	<u>1,555,769</u>

Included in accounts payable and accrued liabilities is \$187,661 (2017- \$487,162) relating to the purchase of tangible capital assets.

TOWN OF BLACKFALDS
Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2018

	Unrestricted	Restricted	Equity in Tangible Capital Assets	2018	2017
Balance, beginning of year	\$ 858,784	23,688,516	139,394,593	163,941,893	159,035,608
Excess (deficiency) of revenue over expenses	4,720,304	-	-	4,720,304	4,906,285
Unrestricted funds designated for future use	(4,465,559)	4,465,559	-	-	-
Reserves used for operations	1,328,481	(1,328,481)	-	-	-
Reserves used for tangible capital assets	-	(3,155,825)	3,155,825	-	-
Contributed tangible capital assets	(2,313,925)	-	2,313,925	-	-
Restricted funds transferred to Library fund	(39,868)	39,868	-	-	-
Writedown of tangible capital assets	52,324	-	(52,324)	-	-
Annual amortization expense	4,871,161	-	(4,871,161)	-	-
Long-term debt repaid	(1,703,835)	-	1,703,835	-	-
Balance, end of year	<u>\$ 3,307,867</u>	<u>23,709,637</u>	<u>141,644,693</u>	<u>168,662,197</u>	<u>163,941,893</u>



TOWN OF BLACKFALDS
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2018

	Land and Leasehold Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2018	2017
Cost							
Beginning balance	\$ 10,679,131	49,095,973	129,594,497	8,024,083	2,795,095	200,188,779	191,454,823
Additions	846,706	87,943	2,304,589	710,237	199,932	4,149,407	6,122,866
Construction in progress - prior year	(223,469)	-	(4,922,575)	-	(59,277)	(5,205,321)	(2,534,954)
Construction in progress - current year	512,172	99,947	5,614,044	-	-	6,226,163	5,146,044
Disposals/ writedown	<u>(94,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,908)</u>	<u>(111,245)</u>	<u>-</u>
Ending balance	<u>11,720,203</u>	<u>49,283,863</u>	<u>132,590,555</u>	<u>8,734,320</u>	<u>2,918,842</u>	<u>205,247,783</u>	<u>200,188,779</u>
Accumulated amortization							
Beginning balance	1,921,317	7,409,736	35,837,912	3,846,895	1,194,535	50,210,395	45,433,063
Amortization	213,376	924,327	3,079,220	486,443	167,795	4,871,161	4,777,332
Disposals/ writedown	<u>(42,013)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,908)</u>	<u>(58,921)</u>	<u>-</u>
Ending balance	<u>2,092,680</u>	<u>8,334,063</u>	<u>38,917,132</u>	<u>4,333,338</u>	<u>1,345,422</u>	<u>55,022,635</u>	<u>50,210,395</u>
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>150,225,148</u>	<u>149,978,384</u>
2017 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>-</u>	<u>149,978,384</u>

Included in buildings is an asset under capital lease with original cost of \$3,814,424 and accumulated amortization of \$762,591 (2017 -\$699,017) for net book value of \$3,051,833 (2017 -\$3,115,407).

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, 2018

	Budget (unaudited)	2018	2017
Taxation			
Real property taxes	\$ 12,572,525	12,476,106	11,954,270
Non-residential and linear property taxes	<u>-</u>	<u>1,886,632</u>	<u>1,833,950</u>
	<u>12,572,525</u>	<u>14,362,738</u>	<u>13,788,220</u>
Requisitions			
Alberta School Foundation Fund	3,492,338	3,504,877	3,425,243
Lacombe Foundation	<u>83,855</u>	<u>83,855</u>	<u>82,993</u>
	<u>3,576,193</u>	<u>3,588,732</u>	<u>3,508,236</u>
Net municipal taxes	\$ <u>8,996,332</u>	<u>10,774,006</u>	<u>10,279,984</u>

TOWN OF BLACKFALDS
Consolidated Schedule of Government Transfers
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
Transfers by Government:			
Transfers for Operating			
Federal government	\$ 13,000	6,646	21,165
Provincial Government	610,000	625,549	640,973
Other local governments	<u>227,050</u>	<u>238,835</u>	<u>218,953</u>
	<u>850,050</u>	<u>871,030</u>	<u>881,091</u>
Transfers for Capital			
Federal government	-	-	676,976
Provincial government	201,500	1,459,205	2,350,178
Other local governments	<u>-</u>	<u>-</u>	<u>469,555</u>
	<u>201,500</u>	<u>1,459,205</u>	<u>3,496,709</u>
	<u>\$ 1,051,550</u>	<u>2,330,235</u>	<u>4,377,800</u>

Transfers by Department:

Transfers for Operating			
Protective services	\$ 314,500	317,728	312,780
Family and community support	239,000	271,267	273,928
Recreation and parks	232,050	207,081	221,735
Administration	<u>64,500</u>	<u>74,954</u>	<u>72,648</u>
	<u>850,050</u>	<u>871,030</u>	<u>881,091</u>
Transfers for Capital			
Recreation and parks	201,500	1,459,205	2,093,833
Roads, streets, walks and lighting	-	-	1,084,987
Wastewater treatment and disposals	-	-	221,717
Protective services	<u>-</u>	<u>-</u>	<u>96,172</u>
	<u>201,500</u>	<u>1,459,205</u>	<u>3,496,709</u>
	<u>\$ 1,051,550</u>	<u>2,330,235</u>	<u>4,377,800</u>

TOWN OF BLACKFALDS
Consolidated Schedule of Expense by Object
Year Ended December 31, 2018

	Budget (unaudited)	2018	2017
Salaries, wages and benefits	\$ 8,465,038	8,293,221	7,617,661
Amortization on tangible capital assets	4,700,000	4,871,161	4,777,332
Contracted and general services	4,270,733	3,929,089	3,799,749
Transfers to local boards and agencies	3,074,510	3,284,882	2,219,676
Materials, goods, supplies and utilities	2,179,700	2,454,427	2,536,884
Interest on long-term debt	324,100	297,477	402,673
Interest and bank charges	<u>54,500</u>	<u>36,750</u>	<u>54,587</u>
	<u>\$ 23,068,581</u>	<u>23,167,007</u>	<u>21,408,562</u>

TOWN OF BLACKFALDS

Notes to the Consolidated Financial Statements

December 31, 2018

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 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, 2018

1. Significant Accounting Policies (Continued)

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

Notes to the Consolidated Financial Statements December 31, 2018

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 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. 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, 2018

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 and leasehold 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.

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.

2. 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 3.95%) less 0.25% if utilized.

Included in cash are restricted amounts of \$190,061 (2017 - \$177,832). Restricted cash is subject to the restrictions as described in note 9.

3. Short term investments

Short term investments consist of guaranteed investment certificates (GIC) that mature between January and April of 2019 and earn interest between 2.01% and 2.19%.

TOWN OF BLACKFALDS
Notes to the Consolidated Financial Statements
December 31, 2018

4. Taxes and Grants in place of taxes receivable	2018	2017
Current taxes and grants in place of taxes	\$ 786,836	660,608
Arrears	<u>5,008</u>	<u>17,160</u>
	<u>\$ 791,844</u>	<u>677,768</u>

5. Long term investments

The balance consists of preferred shares in Servus Credit Union earning a return of approximately 4.5% (2017 - 4.3%).

6. Contingent Asset

The Town is eligible to receive a Municipal Sustainability Initiative Capital Grant of \$1,461,495 and Federal Gas Tax Fund grant of \$546,908 for 2018. Project applications need to be completed and submitted in order to receive the government transfers. Receipt of the funds are contingent on the Government of Alberta approving the project applications.

7. Contractual Assets	2018	2017
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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.

8. 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, 2018

9. Deferred Revenue	2018	2017
FCSS Donations	\$ 58,924	85,453
Prepaid facility passes	54,677	64,915
Prepaid education levy	48,996	-
Lacombe regional emergency management plan	<u>27,464</u>	<u>27,464</u>
	<u>\$ 190,061</u>	<u>177,832</u>

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

Prepaid facility passes includes passes that have been provided to the public and prepaid minor hockey ice rental, to be recognized when the pass or ice is used.

Prepaid education levy consists of education levy over collections to be applied to reduce future education levies.

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

10. Long-Term Debt	2018	2017
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.	\$ 7,514,861	\$ 8,679,237
Capital lease repayable to Sunreal Blackfalds Ltd. bearing interest at 8.08% per year and matures in 2020.	669,266	965,575
Servus Credit Union debt bearing interest at prime (currently 3.95%) plus 0.21%, maturing in 2019.	<u>208,667</u>	<u>451,817</u>
	<u>\$ 8,392,794</u>	<u>\$ 10,096,629</u>

TOWN OF BLACKFALDS
Notes to the Consolidated Financial Statements
December 31, 2018

10. Long-Term Debt (Continued) **2018** 2017

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

	Principal	Interest	Total
2019	\$ 1,733,069	\$ 254,893	\$ 1,987,962
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
2023	1,073,320	65,487	1,138,807
Subsequent	<u>1,342,025</u>	<u>47,980</u>	<u>1,390,005</u>
	<u>\$ 8,392,794</u>	<u>\$ 811,329</u>	<u>\$ 9,204,123</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.

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
Notes to the Consolidated Financial Statements
December 31, 2018

12. Debt Limits	2018	2017
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Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the municipality as follows:

Total debt limit	\$ 36,242,423	34,227,207
Total debt	<u>(8,392,794)</u>	<u>(10,096,629)</u>
Amount of debt limit unused	<u>27,849,629</u>	<u>24,130,578</u>
Service limit of debt	\$ 6,040,404	5,704,535
Service on debt	<u>(1,987,962)</u>	<u>(2,026,319)</u>
Amount of debt servicing limit unused	<u>\$ 4,052,442</u>	<u>3,678,216</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.

13. Commitments

The Town of Blackfalds had an agreement for recycling and waste management services that expired June 2018. Until a new agreement is reached the rates are fixed at \$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 2018 contract cost the Town \$664,455 (2017- \$548,050).

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 2018 contract cost the town \$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 organization 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.

TOWN OF BLACKFALDS

Notes to the Consolidated Financial Statements December 31, 2018

14. Equity in Tangible Capital Assets	2018	2017
Tangible capital assets (page 6)	\$ 205,247,783	200,188,779
Accumulated amortization (page 6)	(55,022,635)	(50,210,395)
Long-term debt (note 9)	(8,392,794)	(10,096,629)
Capital payables	<u>(187,661)</u>	<u>(487,162)</u>
	<u>\$ 141,644,693</u>	<u>139,394,593</u>

15. Accumulated Surplus	2018	2017
Unrestricted surplus	<u>\$ 3,307,867</u>	<u>858,784</u>
Restricted surplus		
Operating:		
General	3,235,546	3,220,896
Library	<u>235,129</u>	<u>195,261</u>
	<u>3,470,675</u>	<u>3,416,157</u>
Capital:		
General	14,905,930	14,176,319
Water	5,333,032	4,669,276
Roads	<u>-</u>	<u>1,426,764</u>
	<u>20,238,962</u>	<u>20,272,359</u>
Total reserves	<u>23,709,637</u>	<u>23,688,516</u>
Equity in tangible capital assets (note 14)	<u>141,644,693</u>	<u>139,394,593</u>
	<u>\$168,662,197</u>	<u>163,941,893</u>

TOWN OF BLACKFALDS
Notes to the Consolidated Financial Statements
December 31, 2018

16. Salary and Benefits Disclosure **2018** **2017**

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 Poole	\$ 42,972	4,974	\$ 47,946	9,367
Councillor Hoover	25,081	4,199	29,280	6,201
Councillor Appel	24,602	4,175	28,777	6,316
Councillor Stendie	23,832	4,133	27,965	5,972
Councillor Taylor	25,482	2,220	27,702	23,503
Councillor Olfert	22,622	4,095	26,717	21,322
Councillor Svab	23,392	1,804	25,196	6,087
Mayor Stol	-	-	-	30,258
Councillor Poole	-	-	-	15,610
Councillor Sutherland	-	-	-	14,661
Councillor Wyndham	-	-	-	13,972
Councillor Wigmore	-	-	-	9,619
Chief Administrative Officer	196,196	31,889	<u>228,085</u>	<u>210,901</u>
			<u>\$ 441,668</u>	<u>373,789</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, 2018

17. 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 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 2017 were \$582,525 (2017 -\$615,877). Total current service contributions by employees of the Town of Blackfalds to the LAPP in 2018 were \$532,619 (2017 - \$566,854).

As at December 2017 the LAPP disclosed an actuarial surplus of \$4.835 billion (2016- \$637 million deficiency). The 2018 actuarial deficiency has not yet been disclosed.

18. Subsequent Event

In April 2019, the Town sold land to a third party for the proceeds of \$650,000.

19. 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.

20. Comparative Amounts

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

21. Approval of the Financial Statements

Council and Management have approved of these financial statements.

TOWN OF BLACKFALDS
Supplementary Financial Information
Year Ended December 31, 2018

Reconciliation of 2018 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)	2018	2017
Excess of revenue over expenses per financial statements	\$ 17,699	4,720,304	4,906,285
Capital expenditures:			
Add: amortization expense	4,700,000	4,871,161	4,777,332
Deduct: tangible capital assets acquired	(5,798,000)	(3,155,825)	(8,733,956)
Add: write down of tangible capital assets	-	52,324	-
Deduct: contributed capital assets	<u>-</u>	<u>(2,313,925)</u>	<u>-</u>
Excess (deficiency) of operating and capital revenues over expenditures	(1,080,301)	4,174,039	949,661
Capital financing:			
Less: repayment of capital debt	<u>(1,352,995)</u>	<u>(1,703,835)</u>	<u>(1,703,682)</u>
Net surplus (deficiency) before the following	(2,433,296)	2,470,204	(754,021)
Other:			
Deduct: transfer from (to) operating reserves	19,000	(54,518)	(51,430)
Deduct: transfer from (to) capital reserves	<u>2,405,719</u>	<u>33,397</u>	<u>487,162</u>
Increase (decrease) in unrestricted surplus	\$ <u>(8,577)</u>	<u>2,449,083</u>	<u>(318,289)</u>