

TOWN OF BLACK DIAMOND
Financial Statements
For The Year Ended December 31, 2008

HB ZIEL & ASSOCIATES

Professional Accountants

#4, 1035 CENTRE STREET S.W.
HIGH RIVER, ALBERTA, T1V 1Y1

AUDITORS REPORT

To the Ratepayers
Town of Black Diamond

We have audited the consolidated Statement of Financial Position of the Town of Black Diamond as at December 31, 2008, and the Consolidated Statement of Operations and the Consolidated Statement of Cash Flow for the year then ended. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Town of Black Diamond as at December 31, 2008 and the results of its operations and cash flow for the year then ended in accordance with accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants.

HB Ziel & Associates
Professional Accountants

High River, Alberta

August 21, 2009

TOWN OF BLACK DIAMOND
Consolidated Statement of Financial Position
December 31, 2008

ASSETS		<u>2008</u>	<u>2007</u>
Financial Assets			
Cash and temporary investments (Note 2)		\$ 6,428,100	\$ 4,388,151
Receivables			
Taxes and grants in place of taxes (Note 3)		148,008	134,865
Trade and other		400,364	301,702
Inventories of materials and supplies		56,266	56,266
Prepaid expenses		51,522	51,285
Debt charges recoverable (Note 4)		12,311	12,311
		<u>7,096,571</u>	<u>4,944,580</u>
Physical Assets (Note 5)		<u>18,449,368</u>	<u>17,528,206</u>
		<u><u>\$ 25,545,939</u></u>	<u><u>\$ 22,472,786</u></u>
LIABILITIES			
Current			
Accounts payable and accrued		\$ 242,812	\$ 259,411
Deposits		305,950	391,024
Unearned revenue		5,325	4,449
Current portion of Long Term Debt (Note 6)		116,637	107,621
		<u>670,724</u>	<u>762,505</u>
Long Term Debt (Note 6)		<u>1,506,155</u>	<u>1,510,582</u>
		<u>2,176,879</u>	<u>2,273,087</u>
MUNICIPAL EQUITY			
Fund Balances			
Operating fund (Schedule 1)		935,690	932,146
Reserves fund (Schedule 3)		5,606,794	3,357,550
		<u>6,542,484</u>	<u>4,289,696</u>
Equity in physical assets (Schedule 4)		<u>16,826,576</u>	<u>15,910,003</u>
		<u>23,369,060</u>	<u>20,199,699</u>
		<u><u>\$ 25,545,939</u></u>	<u><u>\$ 22,472,786</u></u>

TOWN OF BLACK DIAMOND
Consolidated Statement of Operations
For The Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
REVENUES		
Property taxes	2,376,303	\$ 2,075,072
Less: Education requisition	553,151	503,282
Other requisitions	16,890	14,989
	<u>1,806,262</u>	<u>1,556,801</u>
Sales and user charges		
Water and wastewater	741,757	735,924
Waste management	135,682	113,887
Other	78,793	72,452
Proceeds on sale of assets	15,032	2,038
Licenses, permits and fines	198,349	239,559
Penalties and costs on taxes	54,131	47,911
Franchise and concession contracts	85,821	83,547
Return on investments	192,192	150,762
Rentals	175,012	166,237
Government transfers (Schedule 6)	2,411,312	509,123
Off site levies and assessments	122,732	281,064
Donations and other	130,693	1,082,879
Total revenue	<u>6,147,768</u>	<u>5,042,184</u>
EXPENDITURES		
Legislative	104,793	85,309
Administration	375,016	344,551
Fire, ambulance and policing	476,797	485,295
Disaster and emergency services	10,773	110,409
Road, street, walks, lighting	465,184	1,452,525
Water and wastewater	749,323	612,830
Waste management	99,595	160,374
Storm sewer	169,810	-
Planning and development	75,309	101,344
Recreation and parks	1,194,620	1,383,635
Other	178,349	160,111
Total expenditures	<u>3,899,569</u>	<u>4,896,383</u>
Excess of revenue before other items	2,248,199	145,801
Other items		
Capital debt issued	112,210	598,479
Capital debt repaid	(107,621)	(88,505)
	<u>4,589</u>	<u>509,974</u>
Change in fund balances	<u><u>\$ 2,252,788</u></u>	<u><u>\$ 655,775</u></u>

TOWN OF BLACK DIAMOND
Consolidated Statement of Cash Flow
For The Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Operations		
Excess of revenue	\$ 2,248,199	\$ 145,801
Changes in non-cash working capital balances:		
Taxes and grants in place receivable	(13,143)	(5,326)
Trade and other receivables	(98,662)	74,966
Inventories	-	(9,727)
Prepaid expenses	(237)	3,672
Accounts payable and accrued	(16,599)	131,993
Deposit liabilities	(85,074)	43,407
Unearned revenue	876	379
	<u>2,035,360</u>	<u>385,165</u>
Financing		
Proceeds on long term debt	112,210	598,479
Long term debt repaid	(107,621)	(88,505)
	<u>4,589</u>	<u>509,974</u>
Change in cash	2,039,949	895,139
Cash and temporary investments, beginning	<u>4,388,151</u>	<u>3,493,012</u>
Cash and temporary investments, ending	<u><u>\$ 6,428,100</u></u>	<u><u>\$ 4,388,151</u></u>

SCHEDULE 1**TOWN OF BLACK DIAMOND****Schedule of Operating Fund****For The Year Ended December 31, 2008**

	<u>2008</u>	<u>2007</u>
REVENUES		
Net municipal taxes (Schedule 5)	\$ 1,806,262	\$ 1,556,801
Sales and user charges	956,232	922,263
Licenses, permits and fines	198,349	239,559
Penalties and costs on taxes	54,131	47,911
Franchise and concession contracts	85,821	83,547
Return on investments	78,239	75,344
Rentals	175,012	166,237
Government transfers	236,537	188,808
Donations and other	26,011	61,935
	<u>3,616,594</u>	<u>3,342,405</u>
EXPENDITURES		
Legislative	104,793	85,309
Administration	372,246	317,934
Fire, ambulance and policing	461,522	470,504
Disaster and emergency services	3,073	110,409
Road, street, walks, lighting	435,499	445,192
Water and wastewater	746,848	597,763
Waste management	99,595	160,374
Planning and development	75,309	101,344
Recreation and parks	425,478	393,834
Other	178,349	160,111
	<u>2,902,712</u>	<u>2,842,774</u>
Excess of revenue over expenditures	713,882	499,631
Net interfund transfers		
Repayments of capital fund long term debt	(107,621)	(88,505)
Transferred to reserves	(203,125)	(39,698)
Transferred to capital fund	(399,592)	(367,384)
Change in fund balance	3,544	4,044
Opening balance	932,146	928,102
Closing balance	<u><u>\$ 935,690</u></u>	<u><u>\$ 932,146</u></u>

SCHEDULE 2**TOWN OF BLACK DIAMOND****Schedule of Capital Fund****For The Year Ended December 31, 2008**

	<u>2008</u>	<u>2007</u>
Revenue		
Return on investments	\$ 113,953	\$ 75,418
Proceeds on sale of physical assets	15,032	2,038
Government transfers	2,174,775	320,315
Developers off site levies	59,855	190,984
Assessments	62,877	90,080
Donations	104,682	1,020,944
	<u>2,531,174</u>	<u>1,699,779</u>
Expenditures		
Administration	2,770	26,617
Fire	9,510	14,791
Disaster and emergency services	7,700	-
By Law	5,765	-
Roads, streets, walks and lighting	29,685	1,007,333
Water	2,475	15,067
Storm sewer	169,810	-
Recreation	769,142	989,801
	<u>996,857</u>	<u>2,053,609</u>
Excess of revenue (expenditure)	1,534,317	(353,830)
Net interfund transfers		
Transfer to reserves	(2,046,119)	(612,033)
From operating fund	399,592	367,384
Capital debt issued	112,210	598,479
Change in fund balance	-	-
Balance, beginning of year	-	-
Balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SCHEDULE 3**TOWN OF BLACK DIAMOND****Schedule of Reserves****For The Year Ended December 31, 2008**

	<u>2008</u>	<u>2007</u>
Interfund Transfers		
Transfer from operating fund	\$ 203,125	\$ 39,698
Transfer from capital fund	<u>2,046,119</u>	<u>612,033</u>
Change in fund balance	2,249,244	651,731
Balance, Beginning of year	<u>3,357,550</u>	<u>2,705,819</u>
Balance, End of year	<u><u>\$ 5,606,794</u></u>	<u><u>\$ 3,357,550</u></u>

SCHEDULE 4

TOWN OF BLACK DIAMOND

Schedule of Equity in Capital Assets

For The Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Acquisition of Capital Assets		
Administration	\$ 2,770	\$ 26,617
Fire	9,510	14,791
Disaster and emergency services	7,700	-
Roads, streets, walks, lighting	29,685	1,019,403
By Law	5,765	-
Water	2,475	15,067
Recreation	769,142	989,801
Storm sewer	169,810	-
	<u>996,857</u>	<u>2,065,679</u>
Disposal of Capital Assets		
Fire	-	(12,069)
Roads, streets, walks and lighting	(53,760)	(16,000)
Waste management	(21,935)	-
	<u>(75,695)</u>	<u>(28,069)</u>
Capital Financing		
Capital debt issued	(112,210)	(598,479)
Long term debt repaid from operating fund	107,621	88,505
	<u>(4,589)</u>	<u>(509,974)</u>
 Change in equity balance	 916,573	 1,527,636
 Equity, beginning of year	 15,910,003	 14,382,367
 Equity, end of year	 <u><u>\$ 16,826,576</u></u>	 <u><u>\$ 15,910,003</u></u>

SCHEDULE 5**TOWN OF BLACK DIAMOND****Schedule of Taxes Levied****For The Year Ended December 31, 2008**

	<u>2008</u>	<u>2007</u>
Taxation		
Real property taxes	\$ 2,317,937	\$ 2,011,408
Business taxes	389	110
Linear property taxes	25,601	28,459
Government grants in place of property taxes	32,376	35,095
	<u>2,376,303</u>	<u>2,075,072</u>
Requisitions		
Alberta School Foundation Fund	532,221	484,447
Separate School Division	20,930	18,835
Foothills Seniors Foundation	16,890	14,989
	<u>570,041</u>	<u>518,271</u>
Net municipal property taxes	<u><u>\$ 1,806,262</u></u>	<u><u>\$ 1,556,801</u></u>

SCHEDULE 6

TOWN OF BLACK DIAMOND

Schedule of Government Transfers

For The Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Provincial transfers		
Municipal assistance grant	\$ 5,514	\$ 5,514
Shared cost agreements		
Administration	211,589	90,904
Fire	3,950	-
Common and equipment pool	-	29,802
By Law	8,002	-
Streets project	-	231,120
Water supply	10,024	11,371
Affordable housing	1,353,464	-
Parks and recreation	557,698	7,999
Family and Community Support	50,199	63,343
	<u>2,200,440</u>	<u>440,053</u>
Local transfers		
Shared cost agreements and grants		
Fire	89,578	47,776
Recreation	121,294	21,294
	<u>210,872</u>	<u>69,070</u>
	<u>\$ 2,411,312</u>	<u>\$ 509,123</u>

SCHEDULE 7**TOWN OF BLACK DIAMOND****Schedule of Expenses by Object****For The Year Ended December 31, 2008**

Expenditures	<u>2008</u>	<u>2007</u>
Salaries, wages and benefits	\$ 1,148,697	\$ 924,685
Contracted and general services	738,179	877,653
Materials, goods, supplies and utilities	506,142	538,466
Transfer to Local Boards and Agencies	315,360	298,910
Transfers to Individuals and Organizations	89,492	74,569
Interest and bank charges	95,954	88,856
Miscellaneous	8,888	39,635
Capital assets acquired	996,857	2,053,609
	<u>\$ 3,899,569</u>	<u>\$ 4,896,383</u>

TOWN OF BLACK DIAMOND

Notes to the Financial Statements

For The Year Ended December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Black Diamond are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of these accounting policies are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets liabilities, revenues and expenditures, changes in fund balances and cash flows of the reporting entity. This entity is comprised of all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operating requisitions for many educational, health, social and other external organizations that are not part of the municipal reporting entity.

b) Basis of Accounting

The basis of accounting followed in the financial statement presentation includes revenues recognized in the period in which the services are provided, and expenditures recognized in the period in which the goods or services are acquired and a liability is incurred.

c) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

TOWN OF BLACK DIAMOND

Notes to the Financial Statements

For The Year Ended December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Government Transfers

Government transfers are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, any eligibility criteria have been met by the municipality, and reasonable estimates of the amounts can be made.

e) Inventories

Materials and supplies inventories are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

f) Physical Assets

Physical assets are reported as expenditures in the period they are acquired. They are recorded at cost except for donated assets, which are reported at estimated fair value.

Government contributions for the acquisition of physical assets are recorded as capital revenue and do not reduce the related physical assets costs.

Physical assets for government purposes are not depreciated.

g) Reserves for Future Expenditures

Reserves are established at the discretion of council to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

TOWN OF BLACK DIAMOND
Notes to the Financial Statements
For The Year Ended December 31, 2008

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Equity in Physical Assets

Equity in physical assets represents the Town of Black Diamond's net investment in its total physical assets, land held for resale, and other capital items, after deducting the portion financed by third parties through debenture, bond, and mortgage debts, long term capital borrowing, capitalized leases, and other capital liabilities.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2008</u>	<u>2007</u>
Cash	\$ 3,703,568	\$ 1,772,320
Temporary investments	<u>2,724,532</u>	<u>2,615,831</u>
	<u>\$ 6,428,100</u>	<u>\$ 4,388,151</u>

Included in the above balances are \$5,606,794 (2007 - \$3,357,550) of funds which are restricted in use.

TOWN OF BLACK DIAMOND

Notes to the Financial Statements

For The Year Ended December 31, 2008

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	<u>2008</u>	<u>2007</u>
Current	\$ 104,516	\$ 100,344
Arrears	43,492	34,521
	<u>\$ 148,008</u>	<u>\$ 134,865</u>

4. DEBT CHARGES RECOVERABLE

	<u>2008</u>	<u>2007</u>
These charges include amounts expended by the Town for the installation of water and sewer lines to certain raw undeveloped properties. In the event of development by the landowners, these amounts will be recovered.	\$ 12,311	\$ 12,311

5. PHYSICAL ASSETS

	<u>2008</u>	<u>2007</u>
	<u>Cost</u>	<u>Cost</u>
Land	\$ 535,208	\$ 535,208
Buildings	4,251,425	3,501,484
Distribution systems		
Water	3,521,947	3,519,472
Wastewater	1,426,785	1,426,785
Other engineering structures	5,946,984	5,777,174
Machinery, equipment and furnishings	1,697,119	1,660,467
Vehicles	1,069,900	1,107,616
	<u>\$ 18,449,368</u>	<u>\$ 17,528,206</u>

TOWN OF BLACK DIAMOND

Notes to the Financial Statements

For The Year Ended December 31, 2008

6. LONG TERM DEBT

	<u>2008</u>	<u>2007</u>
Capital leases	\$ 93,897	\$ 131,293
Tax supported debentures	593,236	513,661
Self supported debentures	935,659	973,249
	<u>1,622,792</u>	<u>1,618,203</u>
Less: current portion	116,637	107,621
	<u>\$ 1,506,155</u>	<u>\$ 1,510,582</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 116,637	\$ 93,223	\$ 209,860
2010	118,374	88,509	206,883
2011	108,518	83,474	191,992
2012	74,938	76,011	150,949
2013	82,159	71,840	153,999
Thereafter	1,122,166	452,640	1,574,806
	<u>\$ 1,622,792</u>	<u>\$ 865,697</u>	<u>\$ 2,488,489</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 5.875% to 12% per annum, before Provincial subsidy, and mature in periods 2011 through 2025. The average annual interest rate is 7.6% for 2008 (7.6% for 2007). For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9% and 11% to a maximum annual rate of 12.5%, depending on the date borrowed. Debenture debt is issued on the credit and security of the Town of Black Diamond at large.

TOWN OF BLACK DIAMOND

Notes to the Financial Statements

For The Year Ended December 31, 2008

7. RESERVES

Reserves for operating and capital activities changed as follows:

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Operating reserves:				
Legislative	\$ -	\$ 16,093	\$ -	\$ 16,093
Administration	112,026	25,211	13,080	124,157
Special projects	3,724	4,248	-	7,972
Disaster services	10,991	504	-	11,495
Ambulance	-	95	-	95
By-Law Enforcement	22,601	-	3,151	19,450
Common Services	16,453	-	2,354	14,099
Roads	5,000	-	-	5,000
Water	66,245	-	66,245	-
Sewer	136,626	15,722	-	152,348
Garbage	11,593	13,977	-	25,570
FCSS	63,138	-	17,005	46,133
Development	25,844	55,754	-	81,598
Subdivision	1,130	-	-	1,130
Tourism	43,801	36,221	-	80,022
Recreation	64,439	116,557	19,423	161,573
Mill Rate Stabilization	30,940	40,000	-	70,940
	<u>614,551</u>	<u>324,382</u>	<u>121,258</u>	<u>817,675</u>
Capital reserves:				
Administration	121,540	212,013	-	333,553
Fire	86,716	104,537	-	191,253
By Law	14,251	17,550	-	31,801
Roads/Equipment	655,828	164,944	29,685	791,087
Storm sewer	62,200	-	57,600	4,600
Water	584,980	51,300	13,093	623,187
Sewer	642,827	63,473	-	706,300
Waste management	10,235	31,123	-	41,358
Development	123,006	22,357	-	145,363
Affordable housing	-	1,372,001	-	1,372,001
Recreation	408,573	143,959	48,478	504,054
Library	32,843	11,719	-	44,562
	<u>2,742,999</u>	<u>2,194,976</u>	<u>148,856</u>	<u>4,789,119</u>
	<u>\$ 3,357,550</u>	<u>\$ 2,519,358</u>	<u>\$ 270,114</u>	<u>\$ 5,606,794</u>

TOWN OF BLACK DIAMOND

Notes to the Financial Statements

For The Year Ended December 31, 2008

8. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 379/94 is as follows:

	2008			2007
	Salary (1)	Benefits & Allowances (2)	Total	Total
Mayor				
R. Magee	\$ 9,610	\$ 91	\$ 9,701	\$ 11,101
S. Brown	458	10	468	-
Councillors				
S. Brown	-	-	-	6,746
J. Patterson	-	-	-	6,746
M. Ross	10,175	121	10,296	8,521
M. Jackson	13,600	121	13,721	8,521
W. Price	12,000	121	12,121	8,521
D. Anderson	-	-	-	6,746
H. Thomson	9,400	101	9,501	1,775
J. Thomson	12,825	121	12,946	1,775
T. Bray	12,725	121	12,846	1,775
S. Hart	350	10	360	-
	81,143	817	81,960	62,227
Town Manager				
D. Kreh	86,443	9,323	95,766	86,405
J. Irwin	15,860	929	16,789	-
Designated Officers				
W. Williams	55,710	7,158	62,868	52,427
D. French	-	-	-	4,590
J. Berry	49,443	1,087	50,530	28,878
	\$ 288,599	\$ 19,314	\$ 307,913	\$ 234,527

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- 2) 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, and professional memberships.

TOWN OF BLACK DIAMOND

Notes to the Financial Statements

For The Year Ended December 31, 2008

9. CONTINGENCIES

The Town of Black Diamond is a member of Alberta Municipal Insurance Exchange, (MUNIX). Under the terms of membership, the Town 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.

10. DEBT LIMITS

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

	2008	2007
Total debt limit	\$ 6,109,490	\$ 7,082,804
Total debt	1,622,792	1,618,203
Total debt limit available	<u>\$ 4,486,698</u>	<u>\$ 5,464,601</u>
Service on debt limit	\$ 1,018,248	\$ 1,180,467
Service on debt	209,860	203,090
Service on debt limit available	<u>\$ 808,388</u>	<u>\$ 977,377</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired.

TOWN OF BLACK DIAMOND
Notes to the Financial Statements
For The Year Ended December 31, 2008

11. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, receivables, debt charges recoverable, accounts payable, accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest, currency or credit risk arising from these financial instruments

The town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

12. APPROVAL OF FINANCIAL STATEMENTS

Council and Management approved these financial statements.