

TOWN OF BLACK DIAMOND
Consolidated Financial Statements
For the year ended December 31, 2017

TOWN OF BLACK DIAMOND
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For the year ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To: The Mayor and Members of Council of
the Town of Black Diamond

We have audited the accompanying consolidated financial statements of the Town of Black Diamond which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Town of Black Diamond as at December 31, 2017 and 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.

Emphasis of matter

We draw attention to note 18 to the financial statements which describes the amendments made to the prior year's figures. Our audit opinion is not qualified in respect of this matter.

Lethbridge, Alberta

April 25, 2018



Chartered Professional Accountants

MANAGEMENT REPORT

The consolidated financial statements are the responsibility of the management of the Town of Black Diamond.

These consolidated financial statements have been prepared from information provided by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town of Black Diamond is responsible for ensuring that management fulfils its responsibilities for financial statements. Council carries out its responsibility principally through the Committee of the Whole.

The Council meets annually with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council also considers the engagement or re-appointment of the external auditors. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Avail LLP has full and free access to the Council.


Shirley Campbell
Finance Manager

TOWN OF BLACK DIAMOND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2017

	2017	2016
	(Restated)	
Financial assets		
Cash and temporary investments (note 2)	\$ 13,350,426	\$ 13,145,678
Taxes and grants in place of taxes receivable (note 3)	262,815	195,042
Trade and other receivables (note 4)	472,733	539,880
	<hr/> 14,085,974	<hr/> 13,880,600
Liabilities		
Accounts payable and accrued liabilities	702,298	264,214
Employee benefit obligations (note 5)	87,642	94,590
Deposit liabilities	702,291	693,738
Deferred revenue (note 6)	3,387,798	5,049,836
Long-term debt (note 7)	2,051,608	1,197,485
Other liabilities	23,563	27,578
	<hr/> 6,955,200	<hr/> 7,327,441
Net financial assets	<hr/> 7,130,774	<hr/> 6,553,159
Non-financial assets		
Prepaid expenses	93,444	95,419
Inventory for consumption	95,478	100,409
Tangible capital assets (schedule 2)	35,516,336	34,002,682
	<hr/> 35,705,258	<hr/> 34,198,510
Accumulated surplus (note 11 and schedule 1)	<hr/> \$ 42,836,032	<hr/> \$ 40,751,669

Commitments and contingencies (note 17)

Approved on behalf of Council:

Councillor

Kathy Vlooth

Councillor

Samoreni

TOWN OF BLACK DIAMOND
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016 (Restated)
Revenue			
Net municipal property taxes (note 12)	\$ 2,954,862	\$ 2,966,654	\$ 2,739,806
User fees and sales of goods	1,843,058	1,998,377	1,701,734
Government transfers for operating (note 13)	545,695	401,860	584,926
Investment income	90,000	137,484	132,301
Penalties and costs of taxes	61,000	51,360	47,117
Licenses and permits	133,225	184,291	197,119
Franchise and concession contracts	190,000	226,715	196,933
Rental	274,770	285,049	269,561
Other	45,044	100,789	216,176
Offsite levies and assessments	-	70,820	73,714
	6,137,654	6,423,399	6,159,387
Expenses (note 14)			
Legislative	184,515	149,075	145,834
Administration	841,690	673,311	668,845
Protective services	908,452	765,788	1,044,383
Transportation services	1,107,014	1,011,176	987,718
Water supply and distribution	813,855	1,042,005	3,870,764
Wastewater treatment and disposal	752,216	696,747	670,196
Waste management	179,104	180,905	155,508
Other environmental use and protection	36,951	39,118	54,656
Family and community support services	83,766	93,999	93,397
Cemeteries and crematoriums	56,000	56,000	54,642
Planning and development	598,567	409,049	480,039
Parks and recreation	1,102,901	934,644	970,841
Culture - libraries, museums, halls	160,917	156,108	162,014
	6,825,948	6,207,925	9,358,837
(Deficiency) excess of revenue over expenses before other	(688,294)	215,474	(3,199,450)
Other			
Government transfers for capital (note 13)	4,061,912	1,868,889	2,000,512
Contributed assets	-	-	24,852
	4,061,912	1,868,889	2,025,364
Excess (deficiency) of revenue over expenses	3,373,618	2,084,363	(1,174,086)
Accumulated surplus, beginning of year			
As previously stated	43,531,465	43,531,465	44,697,592
Prior period adjustment (note 18)	-	(2,779,796)	(2,771,837)
As restated	43,531,465	40,751,669	41,925,755
Accumulated surplus, end of year	\$ 46,905,083	\$ 42,836,032	\$ 40,751,669

TOWN OF BLACK DIAMOND
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2017

	Budget (Unaudited)	2017	2016 (Restated)
Excess (deficiency) of revenue over expenses	\$ 3,373,618	\$ 2,084,363	\$ (1,174,086)
Acquisition of tangible capital assets	(6,453,709)	(2,572,331)	(3,603,018)
Amortization of tangible capital assets	811,333	1,055,409	909,595
Contributed assets	-	-	(24,852)
Loss on disposal of tangible capital assets	-	3,267	2,990,116
Proceeds on disposal of tangible capital assets	-	-	1,000
	(5,642,376)	(1,513,655)	272,841
Net change in inventory for consumption	-	4,932	(24,521)
Net change in prepaid expense	-	1,975	(9,500)
	-	6,907	(34,021)
Increase in net financial assets	(2,268,758)	577,615	(935,266)
Net financial assets, beginning of year	6,553,159	6,553,159	7,488,425
Net financial assets, end of year	\$ 4,284,401	\$ 7,130,774	\$ 6,553,159

TOWN OF BLACK DIAMOND
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2017

	2017	2016 (Restated)
Operating transactions		
Excess (deficiency) of revenue over expenses	\$ 2,084,363	\$ (1,174,086)
Adjustments for items which do not affect cash		
Loss on disposal of tangible capital assets	3,267	2,990,116
Amortization of tangible capital assets	1,055,409	909,595
Contributed assets	(24,852)	
	3,143,039	2,700,773
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(67,773)	(23,526)
Trade and other receivables	67,147	(43,096)
Inventory for consumption	4,932	(24,521)
Prepaid expenses	1,975	(9,500)
Accounts payable and accrued liabilities	438,084	(507,768)
Employee benefit obligations	(6,948)	7,142
Deposit liabilities	8,553	(24,210)
Deferred revenue	(1,662,038)	(1,145,614)
Other liabilities	(4,015)	19,986
Cash provided by operating transactions	1,922,956	949,666
Capital transactions		
Proceeds on disposal of tangible capital assets	-	1,000
Acquisition of tangible capital assets	(2,572,331)	(3,603,018)
Cash applied to capital transactions	(2,572,331)	(3,602,018)
Financing transactions		
Proceeds of long-term debt	1,000,000	-
Repayment of long-term debt	(145,877)	(168,067)
Cash provided by (applied to) financing transactions	854,123	(168,067)
Increase (decrease) in cash and temporary investments	204,748	(2,820,419)
Cash and temporary investments, beginning of year	13,145,678	15,966,097
Cash and temporary investments, end of year	\$ 13,350,426	\$ 13,145,678

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

1. Significant accounting policies

The consolidated financial statements of the Town of Black Diamond are the representations of management prepared in accordance with public sector accounting standards for local governments established by Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity.

Taxes levied also includes requisitions for educational, health care, 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.

(b) Basis of accounting

The 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 assets are acquired.

(c) Use of estimates

The preparation of financial statements in conformity with Canadian 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 expense 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.

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

1. Significant accounting policies, continued

(d) Government transfers

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

(e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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.

Investments in government partnerships are accounted for using the proportionate consolidation method.

(f) 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 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.

(g) Change in accounting policy

The Town has adopted a new tangible capital asset policy resulting in a change of estimated useful life. The Town has chosen to retroactively apply the new policy and the effect of the changes are described in note 18.

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

1. Significant accounting policies, continued

(h) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and 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 revenues over expenses, provides the consolidated Change in Net Financial Assets for the year.

(i) Tangible capital assets

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

	Years
Land improvements	15-35
Buildings	10-50
Engineered structures	20-75
Machinery and equipment	5-75
Vehicles	8-20

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

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

(iii) Leases

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

(iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(i) Contaminated sites liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

2. Cash and temporary investments

	2017	2016
Cash	\$ 11,163,081	\$ 10,990,621
Temporary investments	2,187,345	2,155,057
	\$ 13,350,426	\$ 13,145,678

The temporary investments are comprised of Guaranteed Investment Certificates.

Interest earned on temporary investments varies from 1.30% to 1.50% (2016 - 1.43% to 1.639%) per annum. Interest paid on cash on deposit is bank prime less 1.60% (2016 - bank prime less 1.60%).

The fair market value of temporary investments as at December 31, 2017 is \$2,202,496 (2016 - \$2,172,226) which includes accrued interest.

3. Taxes and grants in place of taxes receivables

	2017	2016
Taxes and grants in place of taxes receivable	\$ 224,424	\$ 181,499
Arrears	38,391	13,543
	\$ 262,815	\$ 195,042

4. Trade and other receivables

	2017	2016
Utilities accounts receivable	\$ 250,081	\$ 223,796
Trade accounts receivable	124,377	85,149
Good and services tax	60,947	42,459
Accrued receivables	25,017	173,049
Long-term receivables	12,311	15,427
	\$ 472,733	\$ 539,880

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

5. Employee benefit obligations

	2017	2016
Vacation	\$ 79,630	\$ 87,873
Overtime	8,012	6,717
	\$ 87,642	\$ 94,590

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

6. Deferred revenue

Deferred revenue consists of deposits and government transfers.

Government transfers consist of funding received from the federal and provincial governments for which stipulations have not yet been met. The use of these funds is restricted to eligible projects approved under the funding agreements.

	2017	2016
Municipal Sustainability Initiative (MSI) - Capital	\$ 1,774,385	\$ 2,662,786
Flood Recovery Erosion Control Program (FREC)	1,109,004	1,738,787
Basic Municipal Transportation Grant (BMTG)	136,304	324,264
Federal Gas Tax Fund (FGTF)	133,326	4,082
Southern Alberta Flood Response	124,105	166,835
Disaster Recovery Program (DRP)	90,992	114,348
Regional Collaboration Program	18,682	21,543
Alberta Traffic Safety Fund (ATSF)	1,000	-
Alberta Community Partnership	-	14,235
Municipal Sustainability Initiative (MSI) - Operating	-	2,956
	\$ 3,387,798	\$ 5,049,836

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

7. Long-term debt

	2017	2016
Tax supported debentures	\$ 587,723	\$ 685,447
Self supported debentures	463,885	512,038
ATB Financial loan - tax supported	1,000,000	-
	\$ 2,051,608	\$ 1,197,485

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	\$ 1,151,305	\$ 48,744	\$ 1,200,049
2019	150,242	43,038	193,280
2020	138,723	37,416	176,139
2021	91,751	31,947	123,698
2022	97,113	26,585	123,698
Thereafter	422,474	75,333	497,807
	\$ 2,051,608	\$ 263,063	\$ 2,314,671

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 1.088% to 6.75% per annum and matures in periods 2019 through 2040. The average annual interest rate is 4.405% for 2017 (5.027% for 2016).

Debenture proceeds received from ATB Financial loan were unused during the year and repaid subsequent to year end.

Debenture debt is issued on the credit and security of the Town at large.

Interest on long-term debt amounted to \$78,283 (2016 - \$62,759).

The Town's total cash payments for interest in 2017 were \$59,916 (2016 - \$62,759).

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

8. 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 be disclosed as follows:

	2017	2016
Total debt limit	\$ 9,635,099	\$ 9,239,079
Total debt	<u>2,051,608</u>	<u>1,197,485</u>
	<hr/>	<hr/>
	\$ 7,583,491	\$ 8,041,594
	<hr/>	<hr/>
Debt servicing limit	\$ 1,605,850	\$ 1,539,847
Debt servicing	<u>1,200,049</u>	<u>200,049</u>
	<hr/>	<hr/>
	\$ 405,801	\$ 1,339,798
	<hr/>	<hr/>

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. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

9. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2017	2016
Operating		
General government	\$ 692,671	\$ 522,199
Recreation and culture	517,490	441,768
Planning and tourism	476,082	340,959
Transportation services	417,170	450,102
Environmental services	399,134	390,161
Protective services	97,323	146,285
Public health services	46,591	54,968
	<hr/>	<hr/>
	2,646,461	2,346,442

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

9. Reserves, continued

	2017	2016
Capital		
Engineering structures	1,147,385	1,127,138
Offsite levies	1,084,671	1,013,851
General capital	657,029	781,806
Machinery and equipment	636,229	698,404
Vehicles	528,319	345,431
Buildings	262,045	254,742
Land, parks & pathways	237,588	288,169
Planning	16,500	16,459
	<hr/> 4,569,766	<hr/> 4,526,000
	<hr/> \$ 7,216,227	<hr/> \$ 6,872,442

10. Equity in tangible capital assets

	2017	2016
		(Restated)
Tangible capital assets (schedule 2)	\$ 44,839,935	\$ 42,294,793
Accumulated amortization (schedule 2)	(9,323,599)	(8,292,111)
Long-term debt (note 7)	(2,051,608)	(1,197,485)
ATB Financial loan (note 8)	1,000,000	-
	<hr/> \$ 34,464,728	<hr/> \$ 32,805,197

11. Accumulated surplus

Accumulated surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2017	2016
		(Restated)
Unrestricted surplus	\$ 1,155,077	\$ 1,074,030
Internally restricted surplus (reserves) (note 9)	7,216,227	6,872,442
Equity in tangible capital assets (note 10)	34,464,728	32,805,197
	<hr/> \$ 42,836,032	<hr/> \$ 40,751,669

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

12. Net municipal property taxes

	Budget (Unaudited)	2017	2016
Taxation			
Real property taxes	\$ 3,942,043	\$ 3,914,633	\$ 3,665,414
Linear property taxes	- 33,379	33,379	35,887
Business taxes	- 721	721	
Government grants in place of property taxes	- 5,823	5,823	5,890
	<u>3,942,043</u>	<u>3,953,835</u>	<u>3,707,912</u>
Requisitions			
Alberta School Foundation Fund	902,492	902,492	886,720
Separate School Division	39,727	39,727	38,726
Foothills Seniors Foundation	44,962	44,962	42,660
	<u>987,181</u>	<u>987,181</u>	<u>968,106</u>
	<u><u>\$ 2,954,862</u></u>	<u><u>\$ 2,966,654</u></u>	<u><u>\$ 2,739,806</u></u>

13. Government transfers

	Budget (Unaudited)	2017	2016
Transfers for operating:			
Provincial conditional grants	\$ 282,842	\$ 165,977	\$ 336,348
Federal unconditional grants	- 2,000	-	2,000
Other local government transfers	262,853	235,883	246,578
	<u>545,695</u>	<u>401,860</u>	<u>584,926</u>
Transfers for capital:			
Provincial government	4,061,912	1,790,592	2,000,512
Federal government	- 78,297	78,297	-
	<u>4,061,912</u>	<u>1,868,889</u>	<u>2,000,512</u>
	<u><u>\$ 4,607,607</u></u>	<u><u>\$ 2,270,749</u></u>	<u><u>\$ 2,585,438</u></u>

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

14. Expenses by object

	Budget (Unaudited)	2017	2016 (Restated)
Salaries, wages and benefits	\$ 2,286,760	\$ 2,138,067	\$ 2,090,707
Contracted and general services	2,172,671	1,531,940	1,727,114
Materials, goods, supplies and utilities	685,594	585,720	556,623
Bank charges and short term interest	860	655	649
Interest on long term debt	54,947	78,283	62,759
Other expenses	15,941	10,270	10,515
Transfers to organizations and others	753,590	758,528	962,958
Amortization of tangible capital assets	811,333	1,055,409	909,595
Transfers to individuals and organizations	44,252	45,786	47,801
Loss on disposal of tangible capital assets		3,267	2,990,116
	<hr/>	<hr/>	<hr/>
	\$ 6,825,948	\$ 6,207,925	\$ 9,358,837

15. 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 313/2000 is as follows:

	(1)	(2)	2017	2016
	Salary	Benefits & allowances		
Council				
Mayor - Brown, S.	\$ -	\$ -	\$ -	\$ 7,895
Mayor - Fagan, G.	8,358	7,076	15,434	7,029
Councillor - Deacon, J.	8,127	4,069	12,196	16,001
Councillor - Goodwin, V.R.	11,368	6,592	17,960	17,227
Councillor - Jackson, M.	-	-	-	4,817
Councillor - Marconi, B	10,148	5,153	15,301	6,102
Councillor - Ross, M.	8,864	4,432	13,296	17,051
Councillor - Stickel, J.	9,914	4,963	14,877	17,051
Councillor - Thomson, J.	7,754	4,948	12,702	16,648
Councillor - Bains, C.	2,239	1,866	4,105	-
Councillor - Hart, S.	1,652	827	2,479	-
Councillor - Lalonde, D.	2,139	1,808	3,947	-
Councillor - Kloiber, V.	2,172	1,833	4,005	-
Chief Administrative Officer(s)	96,996	7,471	104,467	125,088
Designated Officers(6)	\$ 298,970	\$ 19,087	\$ 318,057	\$ 384,455

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

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

15. Salary and benefits disclosure, continued

(2) Benefits and allowances 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, and professional memberships.

16. Financial instruments

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt. It is management's opinion that the Town is not exposed to significant interest or 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 fulfil 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.

17. Commitments and contingencies

In the ordinary course of operations, various claims and actions are brought against the Town. At the time of the financial statement preparation, there has been no resolution or indication that the settlement of these actions will result in any material liabilities.

18. Prior period adjustment

The prior year numbers have been adjusted to reflect changes in amortization due to adjusting the useful life and purchase dates of capital assets to actual. The effects of these adjustments are as follows:

- An increase in accumulated amortization of \$2,771,837 as of December 31, 2015
- A decrease in equity in tangible capital asset of \$2,771,837 as of December 31, 2015
- An increase in accumulated amortization of \$7,979 as of December 31, 2016
- An increase in amortization expense of \$7,979 as of December 31, 2016
- A decrease in equity in tangible capital assets of \$2,779,796 as of December 31, 2016

The prior year numbers have also been adjusted to include the proportionate consolidation of Sheep River Regional Utility Corp. (note 23)

19. Approval of financial statements

These financial statements were approved by Council and Management.

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

20. Budget amounts

The 2017 budget for the Town was approved by Council on May 17, 2017 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

In addition, the approved budget did not contain an amount for amortization expense. In order to enhance comparability, the actual amortization expense has been included as a budget amount.

Budgeted surplus per financial statements	\$ 3,373,618
Less: Capital expenditures	(6,453,709)
Long-term debt repayments	(148,214)
Add: Amortization	811,333
Net transfers from reserves	916,972
Long-term debt proceeds	<u>1,500,000</u>
Equals: Balanced budget	\$ -

21. Contaminated sites liability

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2017 (2016 - nil) as a result of this standard.

22. Segmented disclosure

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the schedule of segmented disclosure (schedule 3).

TOWN OF BLACK DIAMOND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

23. Investment in government partnership

The Town purchased 45 class A common shares in Sheep River Regional Corp. (SRRUC) for 45% ownership in the amount of \$4.50.

SRRUC was formed in partnership with the Towns of Black Diamond, Turner Valley, the Municipal District (MD) of Foothills and the Village of Longview. SRRUC is responsible for distribution of water to its partnering municipalities.

SRRUC is accounted for using the proportionate consolidation method. Below is a financial summary of the Corporation's financial statements as at December 31, 2017 and for the year then ended as follows:

	2017 Total	Adjustments	2017 45% share	2016 45% share
Financial assets	289,394	170,874	118,520	50,363
Liabilities	4,776,173	4,684,716	91,457	74,234
Net financial debt	(4,486,779)	(4,513,842)	27,063	(23,871)
Non-financial assets	9,739,330	5,356,632	4,382,698	4,475,104
Accumulated surplus	5,252,551	842,790	4,409,761	4,451,233
Total revenue	683,184	565,073	118,111	2,532,427
Total expenses	777,149	616,754	160,395	126,504
(Deficiency) excess of revenue over expenses	(93,965)	(51,681)	(42,284)	2,405,923

The following adjustments pertain to transactions and balances between the Town and SRRUC. They have been adjusted using the proportionate consolidation method and are taken into consideration in the adjustments above:

- Water requisition revenue \$420,716 (2016 - \$122,203)
- Accounts receivable \$26,016 (2016 - \$27,822)
- Due to shareholders \$2,057,821 (2016 - \$2,057,821)
- Share capital \$4.50 (2016 - \$4.50)
- Contributed assets \$0 (2016 - \$5,558,313)

24. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

TOWN OF BLACK DIAMOND
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

Schedule of changes in accumulated surplus				Schedule 1	
	Unrestricted	Restricted	Equity in tangible capital assets	2017	2016 (Restated)
Balance, beginning of year					
As previously stated	\$ 1,074,030	\$ 6,872,442	\$ 35,584,993	\$ 43,531,465	\$ 44,697,592
Prior period adjustment (note 18)	-	-	(2,779,796)	(2,779,796)	(2,771,837)
As restated	1,074,030	6,872,442	32,805,197	40,751,669	41,925,755
Excess (deficiency) of revenue over expenses	2,084,363	-	-	2,084,363	(1,174,086)
Unrestricted funds designated for future use	(1,279,451)	1,279,451	-	-	-
Restricted funds used for operations	270,842	(270,842)	-	-	-
Restricted funds used for tangible capital assets	-	(664,824)	664,824	-	-
Current year funds used for tangible capital assets	(1,907,506)	-	1,907,506	-	-
Disposal of tangible capital assets	3,267	-	(3,267)	-	-
Amortization of tangible capital assets	1,055,409	-	(1,055,409)	-	-
Long-term debt repaid	(145,877)	-	145,877	-	-
Change in accumulated surplus	81,047	343,785	1,659,531	2,084,363	(1,174,086)
Balance, end of year	\$ 1,155,077	\$ 7,216,227	\$ 34,464,728	\$ 42,836,032	\$ 40,751,669

TOWN OF BLACK DIAMOND
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

Schedule 2						
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Construction in progress
						2017
						2016 (Restated)
Cost:						
Balance, beginning of year	\$ 1,054,439	\$ 499,437	\$ 5,855,082	\$ 22,580,139	\$ 4,064,596	\$ 2,013,036
Acquisitions		162,068	36,305	1,825,130	83,715	260,761
Transfers		1,255,300	32,972	4,947,103	49,679	
Disposals						(27,189)
Balance, end of year	\$ 1,054,439	\$ 1,916,805	\$ 5,924,359	\$ 29,352,372	\$ 4,197,990	\$ 2,246,608
Accumulated amortization:						
Balance, beginning of year		115,282	1,706,605	3,415,998	1,783,231	1,270,995
Annual amortization		46,036	129,220	522,751	215,652	141,750
Disposals						(23,921)
Balance, end of year		161,318	1,835,825	3,938,749	1,998,883	1,388,824
Net book value	\$ 1,054,439	\$ 1,755,487	\$ 4,088,534	\$ 25,413,623	\$ 2,199,107	\$ 857,784
2016 net book value (Restated)	\$ 1,054,439	\$ 384,155	\$ 4,148,477	\$ 19,164,141	\$ 2,281,365	\$ 742,042
						\$ 6,228,063
						\$ 34,002,682

TOWN OF BLACK DIAMOND
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2017

Schedule of segmented disclosure

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal property taxes	\$ 2,966,654	\$ 11,580	\$ 104,752	\$ 5,758	\$ 1,810,750	\$ 7,417	\$ -	\$ 2,966,654
User fees and sales of goods	3,123	124,583	-	-	14,216	61,831	52,700	5,420
Government transfers for operating	137,086	-	-	-	398	-	41,839	156,268
Investment income	51,360	-	-	-	-	-	-	-
Penalties and costs of taxes	-	153,669	-	-	9,497	-	21,125	-
Licenses and permits	158,296	-	-	-	-	-	-	-
Franchise and concession contracts	1,262	-	762	-	-	-	-	-
Rental	5,979	2,000	1,788	-	20,425	-	-	68,419
Other	-	-	14,714	56,106	-	-	32,233	283,025
Offsite levies and assessments	-	-	-	-	-	-	38,364	285,049
	3,335,340	385,004	23,022	1,911,392	69,248	147,897	551,496	6,423,399
Expenses								
Salaries, wages and benefits	454,855	266,850	338,668	410,333	50,688	227,761	388,912	2,138,067
Contracted and general services	280,527	153,453	169,067	581,110	17,860	129,753	200,170	1,531,940
Materials, goods, supplies and utilities	47,202	79,108	175,189	97,448	1,665	47,395	137,713	585,720
Bank charges and short term interest	535	-	-	120	-	-	-	655
Interest on long term debt	-	-	25,705	51,124	-	-	-	-
Other expenditures	7,167	103	-	-	-	-	-	-
Transfers to organizations and others	2	19,337	7,072	534,104	56,000	-	1,454	78,283
Amortization of tangible capital assets	32,100	239,031	292,207	284,535	-	4,140	3,000	142,013
Loss on disposal of tangible capital assets	(1)	-	3,268	-	-	-	203,396	758,528
Transfers to individuals and organizations	-	7,905	-	-	23,785	-	-	1,055,409
	822,387	765,787	1,011,176	1,958,774	149,998	409,049	1,090,754	3,267
Excess (deficiency) of revenue over expenses before other	2,512,953	(380,783)	(988,154)	(47,382)	(80,750)	(261,152)	(539,258)	45,786
Other								
Government transfers for capital	118,158	44,019	635,492	974,768	-	-	96,452	1,868,889
Excess (deficiency) of revenue over expenses	\$ 2,631,111	\$ (336,764)	\$ (352,662)	\$ 927,386	\$ (80,750)	\$ (261,152)	\$ (442,806)	\$ 2,084,363