

**TOWN OF BLACK DIAMOND**

**Consolidated Financial Statements**

**For the year ended December 31, 2018**

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**TOWN OF BLACK DIAMOND**  
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For the year ended December 31, 2018

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CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### *Opinion*

We have audited the consolidated financial statements of the Town of Black Diamond which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Black Diamond as at December 31, 2018, and its results of operations 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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:

## INDEPENDENT AUDITOR'S REPORT, continued

- 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 company 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.

### *Report on Other Legal and Regulatory Requirements*

- Debt Limit Regulation:  
In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 8.
- Supplementary Accounting Principles and Standards Regulation:  
In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 15.

Lethbridge, Alberta

April 17, 2019

*Avail LLP*

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.



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Shirley Campbell

Finance Manager

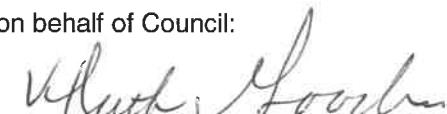
**TOWN OF BLACK DIAMOND**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2018**

	2018	2017
<b>Financial assets</b>		
Cash and temporary investments (note 2)	\$ 10,627,226	\$ 13,350,426
Taxes and grants in place of taxes receivable (note 3)	351,374	262,815
Trade and other receivables (note 4)	1,409,061	472,733
	<hr/> 12,387,661	<hr/> 14,085,974
<b>Liabilities</b>		
Accounts payable and accrued liabilities	499,766	702,300
Employee benefit obligations (note 5)	94,643	87,642
Deposit liabilities	676,398	702,291
Deferred revenue (note 6)	2,972,873	3,387,798
Long-term debt (note 7)	900,302	2,051,607
Other liabilities	19,163	23,563
	<hr/> 5,163,145	<hr/> 6,955,201
<b>Net financial assets</b>	<hr/> 7,224,516	<hr/> 7,130,773
<b>Non-financial assets</b>		
Prepaid expenses	97,315	93,444
Inventory for consumption	69,175	95,478
Tangible capital assets (schedule 2)	37,344,239	35,516,336
	<hr/> 37,510,729	<hr/> 35,705,258
<b>Accumulated surplus (note 11 and schedule 1)</b>	<hr/> \$ 44,735,245	<hr/> \$ 42,836,031

*Commitments and contingencies (note 17)*

Approved on behalf of Council:

Councillor



Councillor



**TOWN OF BLACK DIAMOND**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
<b>Revenue</b>			
Net municipal property taxes (note 12)	\$ 2,920,976	\$ 2,923,570	\$ 2,966,654
User fees and sales of goods	2,192,406	1,933,088	1,998,377
Government transfers for operating (note 13)	1,011,826	424,197	401,860
Investment income	137,000	183,814	137,484
Penalties and costs of taxes	50,500	66,556	51,360
Licenses and permits	154,610	182,643	184,291
Gain on disposal of capital assets	6,367	16,605	-
Franchise and concession contracts	218,300	229,425	226,715
Rental	268,811	283,501	285,049
Other	68,677	121,573	100,789
Offsite levies and assessments	-	82,561	70,820
	<b>7,029,473</b>	<b>6,447,533</b>	<b>6,423,399</b>
<b>Expenses (note 14)</b>			
Legislative	183,805	151,904	149,075
Administration	813,630	594,399	673,311
Protective services	1,290,925	823,219	765,788
Transportation services	1,386,367	1,222,119	1,011,176
Water supply and distribution	1,145,978	971,310	1,042,005
Wastewater treatment and disposal	724,701	649,045	696,747
Waste management	195,851	191,931	180,905
Other environmental use and protection	66,688	39,523	39,118
Family and community support services	86,742	94,968	93,999
Cemeteries and crematoriums	56,500	56,987	56,000
Planning and development	623,398	501,393	409,049
Parks and recreation	1,096,538	1,006,246	934,644
Culture - libraries, museums, halls	168,816	168,225	156,108
	<b>7,839,939</b>	<b>6,471,269</b>	<b>6,207,925</b>
<b>(Deficiency) excess of revenue over expenses before other</b>	<b>(810,466)</b>	<b>(23,736)</b>	<b>215,474</b>
<b>Other</b>			
Government transfers for capital (note 13)	3,707,095	1,922,950	1,868,889
<b>Excess of revenue over expenses</b>	<b>2,896,629</b>	<b>1,899,214</b>	<b>2,084,363</b>
<b>Accumulated surplus, beginning of year</b>	<b>42,836,031</b>	<b>42,836,031</b>	<b>40,751,668</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 45,732,660</b>	<b>\$ 44,735,245</b>	<b>\$ 42,836,031</b>

**TOWN OF BLACK DIAMOND**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
For the year ended December 31, 2018

	Budget (Unaudited)	2018	2017
<b>Excess of revenue over expenses</b>	<b>\$ 2,896,629</b>	<b>\$ 1,899,214</b>	<b>\$ 2,084,363</b>
Acquisition of tangible capital assets	(5,603,387)	(3,016,788)	(2,572,331)
Amortization of tangible capital assets	1,012,156	1,142,626	1,055,409
(Gain) loss on disposal of tangible capital assets	-	(10,179)	3,267
Proceeds on disposal of tangible capital assets	-	56,426	-
	<b>(4,591,231)</b>	<b>(1,827,915)</b>	<b>(1,513,655)</b>
Net change in inventory for consumption	-	26,315	4,932
Net change in prepaid expense	-	(3,871)	1,975
	<b>-</b>	<b>22,444</b>	<b>6,907</b>
<b>Increase in net financial assets</b>	<b>(1,694,602)</b>	<b>93,743</b>	<b>577,615</b>
<b>Net financial assets, beginning of year</b>	<b>7,130,773</b>	<b>7,130,773</b>	<b>6,553,158</b>
<b>Net financial assets, end of year</b>	<b>\$ 5,436,171</b>	<b>\$ 7,224,516</b>	<b>\$ 7,130,773</b>

**TOWN OF BLACK DIAMOND**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the year ended December 31, 2018

	2018	2017
<b>Operating transactions</b>		
Excess of revenue over expenses	\$ 1,899,214	\$ 2,084,363
Adjustments for items which do not affect cash		
(Gain) loss on disposal of tangible capital assets	(10,179)	3,267
Amortization of tangible capital assets	1,142,626	1,055,409
	3,031,661	3,143,039
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	(88,559)	(67,773)
Trade and other receivables	(936,328)	67,147
Inventory for consumption	26,315	4,932
Prepaid expenses	(3,871)	1,975
Accounts payable and accrued liabilities	(202,534)	438,086
Employee benefit obligations	7,001	(6,949)
Deposit liabilities	(25,893)	8,553
Deferred revenue	(414,925)	(1,662,038)
Other liabilities	(4,400)	(4,016)
Cash provided by operating transactions	1,388,467	1,922,956
<b>Capital transactions</b>		
Proceeds on disposal of tangible capital assets	56,426	-
Acquisition of tangible capital assets	(3,016,788)	(2,572,331)
Cash applied to capital transactions	(2,960,362)	(2,572,331)
<b>Financing transactions</b>		
Proceeds of long-term debt	-	1,000,000
Repayment of long-term debt	(1,151,305)	(145,877)
Cash applied to financing transactions	(1,151,305)	854,123
(Decrease) increase in cash and temporary investments	(2,723,200)	204,748
<b>Cash and temporary investments, beginning of year</b>	<b>13,350,426</b>	<b>13,145,678</b>
<b>Cash and temporary investments, end of year</b>	<b>\$ 10,627,226</b>	<b>\$ 13,350,426</b>

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**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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## **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.

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**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**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.

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**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**1. Significant accounting policies, continued**

(g) 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.

(h) 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, 2018

**2. Cash and temporary investments**

	2018	2017
Cash	\$ 8,450,551	\$ 11,163,081
Temporary investments	2,176,675	2,187,345
	<hr/> \$ 10,627,226	<hr/> \$ 13,350,426

The temporary investments are comprised of Guaranteed Investment Certificates.

Interest earned on temporary investments varies from 1.82% to 2.40% (2017 - 1.30% to 1.50%) per annum. Interest paid on cash on deposit is bank prime less 1.60% (2017 - bank prime less 1.60%).

The fair market value of temporary investments as at December 31, 2018 is \$2,202,658 (2017 - \$2,202,496) which includes accrued interest.

**3. Taxes and grants in place of taxes receivables**

	2018	2017
Taxes and grants in place of taxes receivable	\$ 282,483	\$ 224,424
Arrears	68,891	38,391
	<hr/> \$ 351,374	<hr/> \$ 262,815

**4. Trade and other receivables**

	2018	2017
Utilities accounts receivable	\$ 263,347	\$ 250,081
Trade accounts receivable	617,752	124,377
Good and services tax	57,454	60,947
Accrued receivables	458,197	25,017
Long-term receivables	12,311	12,311
	<hr/> \$ 1,409,061	<hr/> \$ 472,733

**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**5. Employee benefit obligations**

	2018	2017
Vacation	\$ 90,680	\$ 79,630
Overtime	3,963	8,012
	<b>\$ 94,643</b>	<b>\$ 87,642</b>

**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.

	2018	2017
Municipal Sustainability Initiative (MSI) - Capital	\$ 1,491,346	\$ 1,774,385
Flood Recovery Erosion Control Program (FREC)	494,209	1,109,004
Park and Ride Facility	318,602	-
Basic Municipal Transportation Grant (BMTG)	199,876	136,304
Federal Gas Tax Fund (FGTF)	184,686	133,326
Southern Alberta Flood Response	106,413	124,105
Alberta Community Partnership	91,337	-
Join Cogen OHS	50,800	-
Disaster Recovery Program (DRP)	18,984	90,992
Regional Collaboration Program	16,620	18,682
Alberta Traffic Safety Fund (ATSF)	-	1,000
	<b>\$ 2,972,873</b>	<b>\$ 3,387,798</b>

**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**7. Long-term debt**

	2018	2017
Tax supported debentures	\$ 487,639	\$ 587,723
Self supported debentures	412,663	463,884
ATB Financial loan - tax supported	-	1,000,000
	<b>\$ 900,302</b>	<b>\$ 2,051,607</b>

Principal and interest repayments are due as follows:

	Principal	Interest	Total
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
2023	90,464	20,903	111,367
Thereafter	332,009	54,430	386,439
	<b>\$ 900,302</b>	<b>\$ 214,319</b>	<b>\$ 1,114,621</b>

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 2018 (4.405% for 2017).

ATB Financial loan was repaid during the year.

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 \$46,528 (2017 - \$78,283).

The Town's total cash payments for interest in 2018 were \$50,287 (2017 - \$59,916).

**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**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:

	2018	2017
Total debt limit	\$ 9,671,298	\$ 9,635,099
Total debt	900,302	2,051,607
	<hr/>	<hr/>
	\$ 8,770,996	\$ 7,583,492
Debt servicing limit	\$ 1,611,883	\$ 1,605,850
Debt servicing	193,280	1,200,049
	<hr/>	<hr/>
	\$ 1,418,603	\$ 405,801

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.

	2018	2017
<b>Operating</b>		
General government	\$ 780,634	\$ 692,671
Recreation and culture	589,801	517,490
Environmental services	512,313	399,134
Planning and tourism	462,992	476,082
Transportation services	248,725	417,170
Protective services	175,535	97,323
Public health services	40,478	46,591
	<hr/>	<hr/>
	2,810,478	2,646,461

**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**9. Reserves, continued**

	2018	2017
<b>Capital</b>		
Engineering structures	2,430,804	1,147,385
Vehicles	1,401,764	528,319
Offsite levies	1,028,984	1,084,671
General capital	820,703	657,029
Machinery and equipment	685,877	636,229
Buildings	295,784	262,045
Land, parks & pathways	143,265	237,588
Planning	32,500	16,500
	6,839,681	4,569,766
	<hr/>	<hr/>
	<b>\$ 9,650,159</b>	<b>\$ 7,216,227</b>
	<hr/>	<hr/>

**10. Equity in tangible capital assets**

	2018	2017
Tangible capital assets (schedule 2)	\$ 47,512,883	\$ 44,839,935
Accumulated amortization (schedule 2)	(10,168,644)	(9,323,599)
Long-term debt (note 7)	(900,302)	(2,051,607)
ATB Financial loan (note 7)	-	1,000,000
	\$ 36,443,937	\$ 34,464,729
	<hr/>	<hr/>

**11. Accumulated surplus**

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

	2018	2017
Unrestricted (deficit) surplus	\$ (1,358,851)	\$ 1,155,075
Internally restricted surplus (reserves) (note 9)	9,650,159	7,216,227
Equity in tangible capital assets (note 10)	36,443,937	34,464,729
	\$ 44,735,245	\$ 42,836,031
	<hr/>	<hr/>

**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**12. Net municipal property taxes**

	Budget (Unaudited)	2018	2017
<b>Taxation</b>			
Real property taxes	\$ 3,983,826	\$ 3,947,563	\$ 3,914,633
Linear property taxes	-	32,618	33,379
Government grants in place of property taxes	-	6,266	5,823
Farmland	-	71	-
	<hr/> 3,983,826	<hr/> 3,986,518	<hr/> 3,953,835
<b>Requisitions</b>			
Alberta School Foundation Fund	974,845	974,845	902,492
Separate School Division	42,935	43,033	39,727
Foothills Seniors Foundation	45,070	45,070	44,962
	<hr/> 1,062,850	<hr/> 1,062,948	<hr/> 987,181
	<hr/> <hr/> \$ 2,920,976	<hr/> <hr/> \$ 2,923,570	<hr/> <hr/> \$ 2,966,654

**13. Government transfers**

	Budget (Unaudited)	2018	2017
<b>Transfers for operating:</b>			
Provincial conditional grants	\$ 515,514	\$ 159,774	\$ 165,977
Other local government transfers	496,312	264,423	235,883
	<hr/> 1,011,826	<hr/> 424,197	<hr/> 401,860
<b>Transfers for capital:</b>			
Provincial government	3,707,095	1,922,950	1,790,592
Federal government	-	-	78,297
	<hr/> 3,707,095	<hr/> 1,922,950	<hr/> 1,868,889
	<hr/> <hr/> \$ 4,718,921	<hr/> <hr/> \$ 2,347,147	<hr/> <hr/> \$ 2,270,749

**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**14. Expenses by object**

	Budget (Unaudited)	2018	2017
Salaries, wages and benefits	\$ 2,490,511	\$ 2,217,058	\$ 2,138,067
Contracted and general services	2,706,206	1,587,299	1,531,940
Materials, goods, supplies and utilities	739,899	634,804	585,720
Bank charges and short term interest	860	440	655
Interest on long term debt	48,302	46,528	78,283
Other expenses	31,595	26,131	10,270
Transfers to organizations and others	762,426	762,297	758,528
Amortization of tangible capital assets	1,012,156	1,142,626	1,055,409
Transfers to individuals and organizations	47,984	47,662	45,786
Loss on disposal of tangible capital assets	-	6,424	3,267
	<hr/> \$ 7,839,939	<hr/> \$ 6,471,269	<hr/> \$ 6,207,925

**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) Salary	(2) Benefits & allowances	2018	2017
<b>Council</b>				
Mayor - Goodwin, V.R.	\$ 14,567	\$ 8,971	\$ 23,538	\$ 17,960
Mayor - Fagan, G.	-	-	-	15,434
Councillor - Marconi, B	11,650	6,401	18,051	15,301
Councillor - Stickel, J.	11,417	6,434	17,851	14,877
Councillor - Bain , C.	10,300	5,176	15,476	4,105
Councillor - Hart, S.	8,867	5,359	14,226	2,479
Councillor - Lalonde, D.	9,737	8,150	17,887	3,947
Councillor - Kloiber, V.	10,183	5,418	15,601	4,005
Councillor - Thomson, J.	-	-	-	12,702
Councillor - Ross, M.	-	-	-	13,296
Councillor - Deacon, J.	-	-	-	12,193
Chief Administrative Officer(s)	107,365	8,304	115,669	104,467
Designated Officers(5)	\$ 369,001	\$ 22,617	\$ 391,618	\$ 318,057

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

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**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**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. Approval of financial statements**

These financial statements were approved by Council and Management.

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**TOWN OF BLACK DIAMOND**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2018**

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**19. Budget amounts**

The 2018 budget for the Town was approved by Council on May 2, 2018 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	\$ 2,896,629
Less: Capital expenditures	(5,603,387)
Long-term debt repayments	(151,305)
Add: Amortization	965,107
Net transfers from reserves	<u>1,892,956</u>
Equals: Balanced budget	<u>\$ -</u>

**20. Contaminated sites liability**

The Town has adopted PS3260 liability for contaminated sites. The Town did not identify any financial liabilities in 2018 (2017 - nil) as a result of this standard.

**21. 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, 2018

**22. 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, Foothills County 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, 2018 and for the year then ended as follows:

	2018 Total	Adjustments	2018 45% share	2017 45% share
Financial assets	381,833	226,671	155,162	118,520
Liabilities	4,748,149	4,669,303	78,846	91,457
Net financial debt	(4,366,316)	(4,442,632)	76,316	27,063
Non-financial assets	9,567,724	5,262,248	4,305,476	4,382,698
Accumulated surplus	5,201,408	819,616	4,381,792	4,409,761
Total revenue	710,059	574,222	135,837	118,111
Total expenses	761,203	602,351	158,852	160,395
(Deficiency) excess of revenue over expenses	(51,144)	(28,129)	(23,015)	(42,284)

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 \$408,199 (2017 - \$420,716)
- Accounts receivable \$37,029 (2017 - \$26,016)
- Due to shareholders \$2,057,821 (2017 - \$2,057,821)
- Share capital \$4.50 (2017 - \$4.50)

**TOWN OF BLACK DIAMOND**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**Schedule of changes in accumulated surplus** **Schedule 1**

	Unrestricted	Restricted	Equity in tangible capital assets	2018	2017
Balance, beginning of year	\$ 1,155,076	\$ 7,216,227	\$ 34,464,728	\$ 42,836,031	\$ 40,751,668
Excess of revenue over expenses	1,899,214	-	-	1,899,214	2,084,363
Unrestricted funds designated for future use	(4,000,949)	4,000,949	-	-	-
Restricted funds used for operations	530,958	(530,958)	-	-	-
Restricted funds used for tangible capital assets	-	(1,036,059)	1,036,059	-	-
Current year funds used for tangible capital assets	(1,980,721)	-	1,980,721	-	-
Disposal of tangible capital assets	46,250	-	(46,250)	-	-
Amortization of tangible capital assets	1,142,626	-	(1,142,626)	-	-
Long-term debt repaid	(151,305)	-	151,305	-	-
Change in accumulated surplus	(2,513,927)	2,433,932	1,979,209	1,899,214	2,084,363
<b>Balance, end of year</b>	<b>\$ (1,358,851)</b>	<b>\$ 9,650,159</b>	<b>\$ 36,443,937</b>	<b>\$ 44,735,245</b>	<b>\$ 42,836,031</b>

**TOWN OF BLACK DIAMOND**  
**SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**Schedule of tangible capital assets**

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2018	2017
<b>Cost:</b>									
Balance, beginning of year	\$ 1,054,439	\$ 1,916,805	\$ 5,924,359	\$ 29,352,372	\$ 4,197,990	\$ 2,246,608	\$ 147,361	\$ 44,839,933	\$ 42,294,793
Acquisitions	701,728	15,101	26,685	-	177,897	49,494	2,045,883	3,016,788	2,572,331
Transfers	1,500	-	116,060	-	29,800	-	(147,360)	-	-
Disposals	-	-	-	-	(292,214)	(51,624)	-	(343,838)	(27,189)
Balance, end of year	1,757,667	1,931,906	6,067,104	29,352,372	4,113,473	2,244,478	2,045,884	47,512,883	44,839,935
<b>Accumulated amortization:</b>									
Balance, beginning of year	-	161,318	1,835,825	3,938,749	1,998,883	1,388,824	-	9,323,599	8,292,111
Annual amortization	-	68,176	137,900	589,348	258,097	89,105	-	1,142,626	1,055,409
Disposals	-	-	-	-	(245,957)	(51,624)	-	(297,581)	(23,921)
Balance, end of year	-	229,494	1,973,725	4,528,097	2,011,023	1,426,305	-	10,168,644	9,323,599
<b>Net book value</b>	<b>\$ 1,757,667</b>	<b>\$ 1,702,412</b>	<b>\$ 4,093,379</b>	<b>\$ 24,824,275</b>	<b>\$ 2,102,450</b>	<b>\$ 818,173</b>	<b>\$ 2,045,884</b>	<b>\$ 37,344,239</b>	<b>\$ 35,516,336</b>
<b>2017 net book value</b>	<b>\$ 1,054,439</b>	<b>\$ 1,755,487</b>	<b>\$ 4,088,534</b>	<b>\$ 25,413,623</b>	<b>\$ 2,199,107</b>	<b>\$ 857,784</b>	<b>\$ 147,361</b>	<b>\$ 35,516,334</b>	

**Schedule 2**

**TOWN OF BLACK DIAMOND**  
**SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended December 31, 2018

**Schedule of segmented disclosure**

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
<b>Revenue</b>								
Net municipal property taxes	\$ 2,923,570	\$ 7,520	\$ 69,614	\$ -	\$ 1,797,028	\$ -	\$ -	\$ 2,923,570
User fees and sales of goods	3,609	117,047	20,900	-	61,831	33,999	186,811	1,933,088
Government transfers for operating	183,814	-	-	-	-	-	-	424,197
Investment income	66,556	-	-	-	-	-	-	183,814
Penalties and costs of taxes	-	160,725	-	10,468	-	11,450	-	66,556
Licenses and permits	-	13,000	-	3,605	-	-	-	182,643
Gain on disposal of capital assets	155,348	-	-	-	-	-	-	16,605
Franchise and concession contracts	1,389	-	-	762	-	-	-	229,425
Rental	3,167	-	-	32,604	-	-	-	283,501
Other	-	-	-	17,253	65,308	987	43,980	121,573
Offsite levies and assessments	-	-	-	-	-	-	-	82,561
	<b>3,344,973</b>	<b>360,386</b>	<b>75,124</b>	<b>1,872,804</b>	<b>75,586</b>	<b>130,327</b>	<b>588,333</b>	<b>6,447,533</b>
<b>Expenses</b>								
Salaries, wages and benefits	444,588	289,535	321,749	399,048	48,576	242,539	471,024	2,217,058
Contracted and general services	232,121	161,694	309,137	468,660	23,693	199,298	192,696	1,587,299
Materials, goods, supplies and utilities	33,397	77,056	213,283	122,408	1,655	51,316	135,689	634,804
Bank charges and short term interest	433	-	-	7	-	-	-	440
Interest on long term debt	-	18,400	-	27,221	-	-	-	907
Other expenditures	5,435	-	-	13,475	-	-	-	46,528
Transfers to organizations and others	-	20,547	-	533,887	56,000	-	4,100	3,121
Amortization of tangible capital assets	30,327	265,120	329,125	287,104	-	-	151,863	762,297
Loss on disposal of tangible capital assets	-	-	30,423	-	-	-	4,140	1,142,626
Transfers to individuals and organizations	-	9,268	-	-	22,032	-	-	6,424
	<b>746,301</b>	<b>823,220</b>	<b>1,222,117</b>	<b>1,851,810</b>	<b>151,956</b>	<b>501,393</b>	<b>1,174,472</b>	<b>6,471,269</b>
<b>Excess (deficiency) of revenue over expenses before other</b>								
<b>Other</b>	<b>2,598,672</b>	<b>(462,834)</b>	<b>(1,146,993)</b>	<b>20,994</b>	<b>(76,370)</b>	<b>(371,066)</b>	<b>(586,139)</b>	<b>(23,736)</b>
<b>Government transfers for capital</b>	<b>6,476</b>	<b>90,053</b>	<b>663,171</b>	<b>550,250</b>	<b>-</b>	<b>613,000</b>	<b>-</b>	<b>1,922,950</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 2,605,148</b>	<b>\$ (372,781)</b>	<b>\$ (483,822)</b>	<b>\$ 571,244</b>	<b>\$ (76,370)</b>	<b>\$ 241,934</b>	<b>\$ (586,139)</b>	<b>\$ 1,899,214</b>