

**MUNICIPAL DISTRICT OF
BONNYVILLE NO. 87
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the Municipal District of Bonnyville No. 87

We have audited the consolidated statement of financial position of the Municipal District of Bonnyville No. 87 as at December 31, 2014 and the consolidated statements of operations, change in net financial assets and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have 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 of 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 auditors' judgement, 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Bonnyville No. 87 as at December 31, 2014 and the results of its operations, the change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 22, 2015



Hawkings Epp Dumont LLP
Chartered Accountants

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**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To His Worship the Reeve and Members of Council of the Municipal District of Bonnyville No. 87
Bonnyville, Alberta

The management of the Municipal District of Bonnyville No. 87 prepared these consolidated financial statements and is responsible for their reliability, completeness and integrity. They conform, in all material respects, with accounting principles for local governments established by the Canadian Institute of Chartered Accountants.

Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Reeve and Council oversee management's responsibilities for the financial reporting and internal control systems.

The auditors, appointed by the Reeve and Council, conducted an audit of these consolidated financial statements in accordance with Canadian generally accepted auditing standards. The Chief Administrative Officer and the Municipal Administrator reviewed these consolidated financial statements with the auditors in detail before recommending their approval to the Reeve and Council.

Chris Cambridge
Chief Administrative Officer

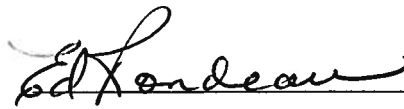
Gordon Fullerton
Municipal Administrator

Bonnyville, Alberta
April 22, 2015

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 60,444,983	\$ 56,199,090
Accounts receivable		
Taxes and grants in place of taxes (Note 3)	822,592	1,046,605
Trade and other (Note 3)	6,418,415	5,096,800
Debt recoverable - local improvements (Note 4)	710,194	748,911
Land held for resale	345,090	345,090
Investments (Note 5)	<u>50,752</u>	<u>58,086</u>
	<u>68,792,026</u>	<u>63,494,582</u>
 LIABILITIES		
Accounts payable and accrued liabilities	3,509,798	5,470,259
Deposit liabilities (Note 7)	2,051,889	1,939,122
Deferred revenue (Note 8)	195,146	421,185
Employee benefit obligations (Note 9)	780,072	671,511
Callable debt (Note 10)	-	38,388
Long-term debt (Note 11)	1,106,925	1,387,990
Landfill closure and post-closure liability (Note 12)	<u>2,046,141</u>	<u>2,206,096</u>
	<u>9,689,971</u>	<u>12,134,551</u>
 NET FINANCIAL ASSETS	 <u>59,102,055</u>	 <u>51,360,031</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	197,443,297	180,630,842
Inventory for consumption (Note 13)	12,132,973	5,695,548
Prepaid expenses	<u>422,543</u>	<u>429,519</u>
	<u>209,998,813</u>	<u>186,755,909</u>
 ACCUMULATED SURPLUS (NOTE 14)	 <u>\$269,100,868</u>	 <u>\$238,115,940</u>

ON BEHALF OF COUNCIL:



MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> (Budget) (Note 26)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
REVENUE			
Net municipal taxes <i>(Schedule 3)</i>	\$ 58,506,454	\$ 58,405,958	\$ 48,944,524
User fees and sales of goods <i>(Schedule 5)</i>	4,241,711	4,569,181	2,424,731
Government transfers for operating <i>(Schedule 4)</i>	2,396,536	1,610,922	2,141,633
Interest	860,598	820,831	949,589
Penalties on taxes	180,000	219,069	226,258
Licenses and permits	503,000	698,920	842,740
Development levies	50,000	69,176	54,520
Sales to other governments	69,200	72,962	71,558
Fines	230,000	332,714	240,585
Other	<u>738,002</u>	<u>2,856,680</u>	<u>7,192,250</u>
	<u>67,775,501</u>	<u>69,656,413</u>	<u>63,088,388</u>
EXPENSES			
Council	651,521	608,669	534,901
Administration	4,794,426	4,451,058	3,695,471
Firefighting services	1,409,787	1,344,658	1,369,564
Ambulance <i>(Note 23)</i>	1,912,442	1,997,036	10,265
Disaster and emergency measures	442,992	450,443	349,491
Bylaws enforcement	1,740,867	1,846,342	1,340,297
Roads, streets, walks and lighting	27,309,926	25,833,990	22,008,453
Water supply and distribution	853,558	712,981	688,358
Wastewater treatment and disposal	456,602	368,906	352,610
Waste management	1,928,912	1,710,218	1,383,941
Family and Community Support Services	267,084	266,124	267,121
Community services	6,216,066	1,718,131	2,260,761
Land use planning, zoning and development	1,711,123	1,308,279	1,198,960
Agricultural services	1,495,821	1,314,104	1,526,442
Economic development and other planning	454,600	433,996	481,552
Recreation boards	2,285,011	1,763,406	2,113,583
Parks and recreation	2,917,151	2,742,256	2,634,807
Culture: Library	<u>337,082</u>	<u>326,735</u>	<u>322,185</u>
	<u>57,184,971</u>	<u>49,197,332</u>	<u>42,538,762</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>10,590,530</u>	<u>20,459,081</u>	<u>20,549,626</u>
OTHER INCOME			
Government transfers for capital <i>(Schedule 4)</i>	3,015,144	7,464,556	4,205,259
Contributed assets <i>(Schedule 1)</i>	3,842,190	3,390,507	5,546,383
Gain (loss) on disposal of tangible capital assets	<u>(237,489)</u>	<u>(329,216)</u>	<u>(99,659)</u>
	<u>6,619,845</u>	<u>10,525,847</u>	<u>9,651,983</u>
ANNUAL SURPLUS	17,210,375	30,984,928	30,201,609
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>238,115,940</u>	<u>238,115,940</u>	<u>207,914,331</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 14)	<u>\$ 255,326,315</u>	<u>\$ 269,100,868</u>	<u>\$ 238,115,940</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> (Budget) (Note 26)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
ANNUAL SURPLUS	\$ <u>17,210,375</u>	\$ <u>30,984,928</u>	\$ <u>30,201,609</u>
Acquisition of tangible capital assets	(36,924,357)	(26,899,319)	(40,826,371)
Contributed tangible capital assets	(3,842,190)	(3,390,507)	(5,546,383)
Proceeds on disposal of tangible capital assets	(899,500)	767,792	1,308,445
Amortization of tangible capital assets	10,623,542	12,380,362	9,735,791
Loss (gain) on disposal of tangible capital assets	<u>237,489</u>	<u>329,216</u>	<u>99,659</u>
	<u>(30,805,016)</u>	<u>(16,812,456)</u>	<u>(35,228,859)</u>
Net change in prepaid expenses	-	6,976	(46,112)
Net change in inventory for consumption	<u>-</u>	<u>(6,437,424)</u>	<u>(1,234,500)</u>
	<u>-</u>	<u>(6,430,448)</u>	<u>(1,280,612)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(13,594,641)	7,742,024	(6,307,862)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>51,360,031</u>	<u>51,360,031</u>	<u>57,667,893</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u>37,765,390</u>	\$ <u>59,102,055</u>	\$ <u>51,360,031</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Cash from operations:		
Annual surplus	\$ 30,984,928	\$ 30,201,609
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	12,380,362	9,735,791
Acquisition of contributed capital assets	(3,390,507)	(5,546,383)
Loss (gain) on disposal of tangible capital assets	<u>329,216</u>	<u>99,659</u>
	<u>40,303,999</u>	<u>34,490,676</u>
 Change in non-cash working capital balances:		
Accounts receivable	(1,097,602)	2,524,603
Inventory for consumption	(6,437,424)	(1,234,500)
Prepaid expenses	6,976	(46,112)
Local improvements - recoverable	38,717	36,397
Provision for landfill closure and post-closure	(159,955)	(119,056)
Accounts payable and accrued liabilities	(1,960,461)	(321,593)
Employee benefit obligations	108,561	27,750
Deposit liabilities	112,767	994,615
Deferred revenue	<u>(226,039)</u>	<u>163,939</u>
	<u>(9,614,460)</u>	<u>2,026,043</u>
	<u>30,689,539</u>	<u>36,516,719</u>
 FINANCING ACTIVITIES		
Repayment of long-term debt	(281,065)	(274,481)
Repayment of callable debt	<u>(38,388)</u>	<u>(12,796)</u>
	<u>(319,453)</u>	<u>(287,277)</u>
 CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(26,899,319)	(40,826,371)
Proceeds on disposal of tangible capital assets	<u>767,792</u>	<u>1,308,445</u>
	<u>(26,131,527)</u>	<u>(39,517,926)</u>
 INVESTING ACTIVITIES		
Decrease (increase) in investments	<u>7,334</u>	<u>22,765</u>
 CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR		
	4,245,893	(3,265,719)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>56,199,090</u>	<u>59,464,809</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (NOTE 2)	<u>\$ 60,444,983</u>	<u>\$ 56,199,090</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE 1

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction in Progress*	2014	2013
COST:								
Balance, Beginning of Year	\$ 7,850,994	\$ 39,671,925	\$ 494,669,519	\$ 24,850,797	\$ 11,534,158	\$ 12,392,893	\$ 590,970,286	\$ 555,912,009
Additions	10,298	95,649	16,837,488	2,474,267	1,322,342	6,159,275	26,899,319	40,826,371
Contributed assets	1,186,774	-	2,203,733	-	-	-	3,390,507	5,546,383
Disposals	-	-	(3,498,859)	(1,388,101)	(223,285)	(23,643)	(5,133,888)	(11,314,477)
Transfers	-	-	10,700,873	-	-	(10,700,873)	-	-
Balance, End of Year	<u>9,048,066</u>	<u>39,767,574</u>	<u>520,912,754</u>	<u>25,936,963</u>	<u>12,633,215</u>	<u>7,827,652</u>	<u>616,126,224</u>	<u>590,970,286</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	2,619,377	394,051,686	7,830,011	5,838,370	-	410,339,444	410,510,025
Amortization expense	-	793,924	8,546,282	2,022,711	1,017,445	-	12,380,362	9,735,791
Disposals	-	-	(3,279,733)	(551,319)	(205,827)	-	(4,036,879)	(9,906,372)
Balance, End of Year	-	<u>3,413,301</u>	<u>399,318,235</u>	<u>9,301,403</u>	<u>6,649,988</u>	-	<u>418,682,927</u>	<u>410,339,444</u>
NET BOOK VALUE, END OF YEAR	\$ <u>9,048,066</u>	\$ <u>36,354,273</u>	\$ <u>121,594,519</u>	\$ <u>16,635,560</u>	\$ <u>5,983,227</u>	\$ <u>7,827,652</u>	\$ <u>197,443,297</u>	\$ <u>180,630,842</u>

*Construction in progress is comprised of

	\$	<u>122,533</u>	\$	<u>7,665,118</u>	\$	<u>40,001</u>	\$	<u>7,827,652</u>	\$	<u>12,392,893</u>
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MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

SCHEDULE 2

	<u>2014</u>	<u>2013</u>
BALANCE, BEGINNING OF YEAR	\$180,103,375	\$144,673,637
Acquisition of tangible capital assets	26,899,319	40,826,371
Acquisition of contributed capital assets	3,390,507	5,546,383
Amortization of tangible capital assets	(12,380,362)	(9,735,791)
Repayment of long-term debt and callable debt	269,453	237,277
Levied portion of debt recoverable - local improvements	(38,717)	(36,397)
Cost of tangible capital assets disposed	(5,133,888)	(11,314,477)
Accumulated amortization of tangible capital assets disposed	<u>4,036,879</u>	<u>9,906,372</u>
BALANCE, END OF YEAR	<u>\$197,146,566</u>	<u>\$180,103,375</u>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (net book value) <i>(Schedule 1)</i>	\$197,443,297	\$180,630,842
Debt recoverable - local improvements <i>(Note 4)</i>	710,194	748,911
Long-term debt (tax supported) <i>(Note 11)</i>	(1,006,925)	(1,237,990)
Callable debt <i>(Note 10)</i>	<u>-</u>	<u>(38,388)</u>
	<u>\$197,146,566</u>	<u>\$180,103,375</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

SCHEDULE 3

SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> (Budget) (Note 26)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
TAXATION			
Real property taxes	\$ 35,436,993	\$ 36,283,712	\$ 31,083,037
Linear property taxes	34,624,686	33,709,341	29,113,991
Local improvement taxes (Note 4)	47,745	47,745	50,063
Government grants in lieu of property taxes	<u>76,192</u>	<u>76,409</u>	<u>72,119</u>
	<u>70,185,616</u>	<u>70,117,207</u>	<u>60,319,210</u>
REQUISITIONS			
Alberta School Foundation Fund	10,745,582	10,746,407	10,549,952
Lakeland Roman Catholic Separate School District #150	615,875	615,554	618,800
Lakeland Lodge and Housing Foundation	304,913	304,913	258,842
Requisition transfers	<u>12,792</u>	<u>44,375</u>	<u>(52,908)</u>
	<u>11,679,162</u>	<u>11,711,249</u>	<u>11,374,686</u>
NET MUNICIPAL TAXES	<u>\$ 58,506,454</u>	<u>\$ 58,405,958</u>	<u>\$ 48,944,524</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

SCHEDULE 4

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u> (Budget) (Note 26)	<u>2014</u> (Actual)	<u>2013</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 2,101,623	\$ 1,488,038	\$ 2,032,938
Local governments	<u>365,178</u>	<u>122,884</u>	<u>108,695</u>
	<u>2,466,801</u>	<u>1,610,922</u>	<u>2,141,633</u>
TRANSFERS FOR CAPITAL			
Provincial government	3,015,144	6,710,349	4,205,259
Local governments (Note 23)	<u>-</u>	<u>754,207</u>	<u>-</u>
	<u>3,015,144</u>	<u>7,464,556</u>	<u>4,205,259</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 5,481,945</u>	<u>\$ 9,075,478</u>	<u>\$ 6,346,892</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

SCHEDULE 5

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

	Council and Administration	Protective Services	Municipal Planning, Agricultural Services and Economic Development	FCSS and Community Services	Roads Streets, Walks and Lighting	Water, Sewer and Waste Management	Parks, Recreation and Library	Total
REVENUE								
Taxation	\$ 4,386,641	\$ 3,191,892	\$ 2,514,134	\$ 5,223,988	\$ 36,259,139	\$ 3,037,548	\$ 3,792,616	\$ 58,405,958
All other	1,100,898	537,270	65,991	-	2,463,728	87,106	116,439	4,371,432
User fees and sales of goods	14,728	2,560,418	51,295	-	-	543,411	1,399,329	4,569,181
Government transfers	-	122,884	265,979	245,467	800,000	-	176,592	1,610,922
Licenses and permits	268,561	1,273	354,275	-	74,811	-	-	698,920
	<u>5,770,828</u>	<u>6,413,737</u>	<u>3,251,674</u>	<u>5,469,455</u>	<u>39,597,678</u>	<u>3,668,065</u>	<u>5,484,976</u>	<u>69,656,413</u>
EXPENSES								
Salaries, wages, and benefits	3,699,364	3,758,070	1,803,996	2,700	5,956,745	953,780	1,601,912	17,776,567
Contracted and general services	922,945	438,881	643,758	341	1,812,943	235,012	736,610	4,790,490
Transfers to other governments	-	-	-	1,665,150	25,623	747,661	-	2,438,434
Transfers to local boards and organizations	-	10,089	107,732	316,065	-	-	1,120,920	1,554,806
Materials, goods, supplies and utilities	165,642	890,770	341,732	-	8,194,700	417,191	618,995	10,629,030
Other	47,520	-	-	-	-	-	9,555	57,075
Interest on long term debt	-	10,092	-	-	-	47,222	-	57,314
	<u>4,835,471</u>	<u>5,107,902</u>	<u>2,897,218</u>	<u>1,984,256</u>	<u>15,990,011</u>	<u>2,400,866</u>	<u>4,087,992</u>	<u>37,303,716</u>
ANNUAL SURPLUS BEFORE AMORTIZATION	935,357	1,305,835	354,456	3,485,199	23,607,667	1,267,199	1,396,984	32,352,697
Amortization of tangible capital assets	224,256	530,577	159,161	-	10,330,725	391,239	744,404	12,380,362
Capital recovery of amortization	-	-	-	-	(486,746)	-	-	(486,746)
ANNUAL SURPLUS BEFORE OTHER INCOME	711,101	775,258	195,295	3,485,199	13,763,688	875,960	652,580	20,459,081
Government transfers	134,583	754,207	-	-	6,225,766	-	350,000	7,464,556
Contributed assets	-	-	-	-	2,286,325	-	1,104,182	3,390,507
Gain (loss) on disposal of tangible capital assets	-	18,722	(931)	-	(347,007)	-	-	(329,216)
ANNUAL SURPLUS	<u>\$ 845,684</u>	<u>\$ 1,548,187</u>	<u>\$ 194,364</u>	<u>\$ 3,485,199</u>	<u>\$ 21,928,772</u>	<u>\$ 875,960</u>	<u>\$ 2,106,762</u>	<u>\$ 30,984,928</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

SCHEDULE 5

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2013

	Council and Administration	Protective Services	Municipal Planning, Agricultural Services and Economic Development	FCSS and Community Services	Roads, Streets, Walks and Lighting	Water, Sewer and Waste Management	Parks, Recreation and Library	Total
REVENUE								
Taxation	\$ 3,317,289	\$ 1,787,488	\$ 1,897,781	\$ 1,991,960	\$ 33,781,653	\$ 1,875,987	\$ 4,292,366	\$ 48,944,524
All other	1,204,827	451,228	240,125	-	6,671,915	91,447	75,218	8,734,760
User fees and sales of goods	15,203	615,053	208,393	-	-	382,785	1,203,297	2,424,731
Government transfers	-	121,105	255,979	245,467	1,223,722	-	295,360	2,141,633
Licenses and permits	304,519	3,105	535,116	-	-	-	-	842,740
	<u>4,841,838</u>	<u>2,977,979</u>	<u>3,137,394</u>	<u>2,237,427</u>	<u>41,677,290</u>	<u>2,350,219</u>	<u>5,866,241</u>	<u>63,088,388</u>
EXPENSES								
Salaries, wages, and benefits	2,886,782	1,911,602	1,616,334	3,600	5,897,592	764,491	1,335,307	14,415,708
Contracted and general services	885,591	223,467	607,668	437	2,001,408	253,072	841,740	4,813,383
Transfers to other governments	-	-	-	2,300,260	137,994	665,301	-	3,103,555
Transfers to local boards and organizations	-	-	137,861	223,585	-	-	1,553,520	1,914,966
Materials, goods, supplies and utilities	201,635	514,114	719,789	-	6,593,090	324,139	627,662	8,980,429
Other	93,929	-	-	-	-	-	9,101	103,030
Interest on long term debt	-	14,698	-	-	-	50,063	-	64,761
	<u>4,067,937</u>	<u>2,663,881</u>	<u>3,081,652</u>	<u>2,527,882</u>	<u>14,630,084</u>	<u>2,057,066</u>	<u>4,367,330</u>	<u>33,395,832</u>
ANNUAL SURPLUS BEFORE AMORTIZATION	773,901	314,098	55,742	(290,455)	27,047,206	293,153	1,498,911	29,692,556
Amortization of tangible capital assets	162,435	405,735	125,302	-	7,971,230	367,842	703,247	9,735,791
Capital recovery of amortization	-	-	-	-	(592,862)	-	-	(592,862)
ANNUAL SURPLUS BEFORE OTHER INCOME	611,466	(91,637)	(69,560)	(290,455)	19,668,838	(74,689)	795,664	20,549,626
Government transfers	1,099,981	-	-	-	3,090,115	16,963	(1,800)	4,205,259
Contributed assets	-	-	-	-	4,711,383	-	835,000	5,546,383
Gain (loss) on disposal of tangible capital assets	-	-	(3,085)	-	(106,226)	-	9,651	(99,660)
ANNUAL SURPLUS	<u>\$ 1,711,447</u>	<u>\$ (91,637)</u>	<u>\$ (72,645)</u>	<u>\$ (290,455)</u>	<u>\$ 27,364,110</u>	<u>\$ (57,726)</u>	<u>\$ 1,638,515</u>	<u>\$ 30,201,609</u>

The accompanying notes are an integral part of these financial statements.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Municipal District of Bonnyville No. 87 (the "Municipality") are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and change in net financial assets and cash flows of the reporting entity. The entity is comprised of all 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. They include the Municipal District of Bonnyville No. 87 Library Board and the Municipality's proportionate share of the Bonnyville Regional Fire Authority (79.975%).

The schedule of taxes levied also includes requisitions for education and seniors foundations 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 recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and 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.

(c) Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

(d) Investments

Investments are recorded at cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(e) Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the Municipality is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

(f) Pension Expenses

Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

(CONT'D)

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Tax Revenue

Property tax revenue is based on assessments determined in accordance with the *Municipal Government Act*. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Municipality. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition by-law.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards 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 management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(i) Government Transfers

Government transfers are the transfer of assets from all levels of governments 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 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.

(j) Requisition Over-Levies and Under-Levies

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. In situations 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.

(k) Allowances for Operating and Physical Assets

Allowances for asset valuations are netted against the related asset. Increases in allowances are recorded as expenditures, while decreases in allowances are recorded as revenues.

(CONT'D)

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) 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 or 10% declining balance over the estimated useful life as follows:

Buildings	50 years
Engineered Structures	
Water system	40 years
Wastewater system	40 years
Other engineered structures	10-40 years
Machinery and Equipment	5-20 years
Heavy Machinery and Equipment	10% declining balance
Vehicles	10-25 years

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) Inventory for Consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost with cost determined using the average cost method.

v) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

2. CASH AND TEMPORARY INVESTMENTS

	<u>2014</u>	<u>2013</u>
Cash	\$ 2,074,273	\$ 3,484,876
Temporary investments	<u>58,370,710</u>	<u>52,714,214</u>
	<u>\$ 60,444,983</u>	<u>\$ 56,199,090</u>

Temporary investments are short-term deposits with original maturities of three months or less bearing interest at rates ranging from 1.46% to 1.86% maturing during 2015.

Included in term deposits is a restricted amount of \$758,450 (2013 - \$672,529) received from money-in-place of municipal reserves and held exclusively for municipal and public recreation purposes.

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Taxes and grants in place of taxes		
Current taxes	\$ 628,269	\$ 809,955
Arrears taxes	<u>437,941</u>	<u>510,723</u>
	1,066,210	1,320,678
Less: Allowance for doubtful accounts	<u>(243,618)</u>	<u>(274,073)</u>
	<u>\$ 822,592</u>	<u>\$ 1,046,605</u>
Trade and other		
Receivable from other governments	\$ 3,722,805	\$ 1,639,098
Receivable from other governments - GST	525,806	1,702,627
Trade and other	<u>2,169,804</u>	<u>1,755,075</u>
	<u>\$ 6,418,415</u>	<u>\$ 5,096,800</u>

Included in trade and other is \$285,444 (2013 - \$856,603) designated for road construction, to be repaid in full over the next year.

4. DEBT RECOVERABLE - LOCAL IMPROVEMENTS

The Municipality passed Bylaw No. 1254 authorizing Council to provide for a local improvement to install a water supply pipeline to the Hamlet of Ardmore and the construction of water storage and pumping facilities for each of the Hamlets of Ardmore and Fort Kent. The total cost of the local improvement was \$1,126,681, is repayable in 25 annual installments of \$86,460 including interest at a fixed rate of 6.375% per annum maturing October 15, 2026.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

5. INVESTMENTS

	<u>2014</u>	<u>2013</u>
Landfill reclamation security deposits	\$ 35,230	\$ 35,173
Other	<u>15,522</u>	<u>22,913</u>
	<u>\$ 50,752</u>	<u>\$ 58,086</u>

6. LINE OF CREDIT

The Municipality has a \$5,000,000 revolving line of credit bearing interest at prime less 0.25% per annum and is due on demand. The line of credit was not in use as of the year end date. Collateral lodged in support of the line of credit includes a revolving line of credit agreement, a related demand promissory note, and a Municipal Borrowing By-Law.

7. DEPOSIT LIABILITIES

	<u>2014</u>	<u>2013</u>
Subdivision deposits	\$ 1,975,757	\$ 1,890,613
Water meter deposits	29,957	27,519
Other deposits	<u>46,175</u>	<u>20,990</u>
	<u>\$ 2,051,889</u>	<u>\$ 1,939,122</u>

8. DEFERRED REVENUE

Deferred revenue consists of the following amounts, which have been restricted by third parties for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	<u>2014</u>	<u>2013</u>
Provincial government conditional grants	\$ 192,559	\$ 418,597
Other	2,572	2,572
Willow Prairie Agricultural Society lease agreement	<u>15</u>	<u>16</u>
	<u>\$ 195,146</u>	<u>\$ 421,185</u>

The Willow Prairie Agricultural Society lease agreements are being amortized to revenue at \$1 per year.

9. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2014</u>	<u>2013</u>
Vacation and overtime	<u>\$ 780,072</u>	<u>\$ 671,511</u>

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

The Municipality does not provide post-employment benefits to the employees.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

10. CALLABLE DEBT

	<u>2014</u>	<u>2013</u>
Loan, principal repayable at \$12,796 annually plus interest at Lakeland Credit Union Ltd. term deposit rates adjusted annually; unsecured; due on demand, paid out during the year.	\$ <u> -</u>	\$ <u> 38,388</u>

11. LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
Tax supported debentures	\$ 1,006,925	\$ 1,237,990
Agreement payable, The Bonnyville Agricultural Society	<u> 100,000</u>	<u> 150,000</u>
	<u>\$ 1,106,925</u>	<u>\$ 1,387,990</u>

The current portion of the long-term debt amounts to \$287,895 (2013 - \$281,065).

Principal and interest repayments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 287,895	\$ 50,862	\$ 338,757
2016	193,831	43,777	237,608
2017	46,604	39,856	86,460
2018	49,575	36,885	86,460
2019	52,735	33,725	86,460
Thereafter	<u> 476,285</u>	<u> 162,660</u>	<u> 638,945</u>
	<u>\$ 1,106,925</u>	<u>\$ 367,765</u>	<u>\$ 1,474,690</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at rates ranging from 2.255% to 6.375% per annum and matures in years 2016 through 2026.

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

The agreement payable to The Bonnyville Agricultural Society is non-interest bearing.

Interest on long-term debt amounted to \$57,315 (2013 - \$64,762).

The Municipality's total cash payments for interest is \$57,691 (2013 - \$64,276).

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

12. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, ongoing environmental monitoring, and site inspections and maintenance.

The estimated total liability represents the net present value of the discounted cash flows of the total estimated cost for closure and post-closure activities for 25 years after closing using a discount rate of 5% and assuming annual inflation of 2%.

The accrued liability is based on the cumulative capacity used at year end compared to the total estimated landfill capacity. The estimated remaining capacity of the landfill sites is 659,348 (2013 - 667,905) cubic metres.

The Municipality transferred waste management activities to the Beaver River Regional Waste Management Commission effective April 1, 2009. As part of this transfer several existing landfills stopped receiving municipal solid waste and were closed. Some of the closed landfills were converted to waste transfer stations and some were restricted to receiving inert wastes only.

	<u>2014</u>	<u>2013</u>
Estimated closure liability Class 2 landfills	\$ 293,925	\$ 445,425
Estimated post-closure liability Class 2 landfills	1,729,388	1,744,864
Estimated closure liability Class 3 landfills	225,553	196,255
Estimated post-closure liability Class 3 landfills	<u>120,075</u>	<u>117,818</u>
Estimated total liability	\$ <u>2,368,941</u>	\$ <u>2,504,362</u>
Estimated capacity remaining Class 3 landfills	95%	97%
Portion of total liability remaining to be recognized Class 3 landfills	\$ <u>322,800</u>	\$ <u>298,266</u>
Estimated capacity used Class 2 landfills	100%	100%
Estimated capacity used Class 3 landfills	5%	3%
Accrued liability portion Class 2 landfills	\$ 2,023,313	\$ 2,190,289
Accrued liability portion Class 3 landfills	<u>22,828</u>	<u>15,807</u>
Accrued liability portion	\$ <u>2,046,141</u>	\$ <u>2,206,096</u>

13. INVENTORY FOR CONSUMPTION

	<u>2014</u>	<u>2013</u>
Gravel	\$ 11,180,082	\$ 4,724,700
Parts, culverts and other	<u>952,891</u>	<u>970,848</u>
	\$ <u>12,132,973</u>	\$ <u>5,695,548</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

14. ACCUMULATED SURPLUS

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

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	\$ <u>21,020,227</u>	\$ <u>46,480,241</u>
Restricted surplus		
Cash flow	37,500,000	-
General equipment replacement	12,088,070	10,277,405
Other	<u>1,346,005</u>	<u>1,254,919</u>
	<u>50,934,075</u>	<u>11,532,324</u>
Equity in tangible capital assets	<u>197,146,566</u>	<u>180,103,375</u>
	<u>\$269,100,868</u>	<u>\$238,115,940</u>

15. TRUST FUNDS

The Municipality administers a trust for tax sale surplus accounts. Details are as follows:

	<u>2014</u>	<u>2013</u>
	\$ <u>52,629</u>	\$ <u>81,178</u>

Trust funds administered by the Municipality have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

16. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Municipality be disclosed as follows:

	<u>2014</u>	<u>2013</u>
Total debt limit	\$104,484,620	\$ 94,632,582
Total debt	<u>1,106,925</u>	<u>1,426,378</u>
Amount of total debt limit unused	<u>\$103,377,695</u>	<u>\$ 93,206,204</u>
Debt servicing limit	\$ 17,414,103	\$ 15,772,097
Debt servicing	<u>338,757</u>	<u>351,553</u>
Amount of debt servicing limit unused	<u>\$ 17,075,346</u>	<u>\$ 15,420,544</u>

The debt limit is calculated at 1.50 times revenue of the Municipality (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a 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.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

17. SALARIES AND BENEFITS DISCLOSURE

Disclosure of remuneration and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Salary</u> (1)	<u>Benefits, Travel and Allowances</u> (2)	<u>2014 Total</u>	<u>2013 Total</u>
Elected Officials:				
Reeve	\$ 77,850	\$ 14,287	\$ 92,137	\$ 87,293
Ward #1	55,590	16,868	72,458	67,705
Ward #2	64,350	28,880	93,230	80,815
Ward #3	59,010	24,990	84,000	65,515
Ward #4	39,750	10,329	50,079	43,725
Ward #5	64,350	19,577	83,927	11,719
Ward #6	65,940	19,305	85,245	76,112
Former Elected Officials				
Ward #5	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,763</u>
	<u>\$ 426,840</u>	<u>\$ 134,236</u>	<u>\$ 561,076</u>	<u>\$ 497,647</u>
Chief Administrative Officer (2)	\$ 417,274	\$ 47,300	\$ 464,574	\$ 228,847
Designated Officer (3)	\$ 117,400	\$ 39,271	\$ 156,671	\$ 139,428
Designated Officer (4)	\$ 111,042	\$ 26,375	\$ 137,417	\$ 129,296
Designated Officer (5)				

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

(2) Employer's share of all employee benefits, travel and allowances or payments made on behalf of employees including travel and subsistence, pension, health care, dental coverage, vision coverage, group life disability plans, professional memberships and tuition.

(3) An automobile is provided and a taxable benefit is calculated in accordance with the *Income Tax Act*.

(4) The second Designated Officer, by virtue of Bylaw 1212, is an assessor who is under contract with the Municipality to provide assessment services. Effective April 1, 2014, the assessor was no longer under contract.

(5) The duties of the third Designated Officer, are to act as the clerk of the assessment review board falls under the duties of the Municipal Administrator. There is no remuneration for acting as clerk of the assessment review board.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

18. CONTINGENCIES

The Municipality is a member of the Alberta Local Authorities Reciprocal Insurance Exchange ("ALARIE") and the Genesis Reciprocal Insurance Exchange ("Genesis"). Under the terms of membership, the Municipality 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.

Once all claims and other financial obligations have been satisfied, there will be funds remaining to be distributed among the members. The process to determine the member's individual share of the expected surplus is being developed and will be distributed on a fair and timely basis.

19. COMMITMENTS

The Municipality has committed \$14,000 per year to the Bonnyville and District Chamber of Commerce for the Shaw House Centre under a cost-sharing arrangement with the Town of Bonnyville. This commitment remains in effect until the mortgage is paid out.

20. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipality participate in the Local Authorities Pension Plan (LAPP), which is covered by the *Public Sector Pension Plans Act*. LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

The Municipality is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 15.84% for the excess. Employees of the Municipality are required to make current service contributions of 10.39% of pensionable earnings up to the year's maximum pensionable earnings and 14.84% on pensionable earnings above this amount.

Total current and past service contributions made by the Municipality to the LAPP in 2014 were \$1,347,624 (2013 - \$943,247). Total current and past service contributions made by the employees of the Municipality to the LAPP in 2014 were \$1,243,423 (2013 - \$864,344).

At December 31, 2013, the LAPP disclosed an actuarial deficit of of \$4,861.5 million (2012 - \$4,977.3 million).

21. FINANCIAL INSTRUMENTS

The Municipality's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, callable debt and long-term debt. It is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

Unless otherwise noted, the carrying value of these financial instruments approximates their fair value.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

22. SEGMENTED INFORMATION

The Municipality provides a range of services to its residents. 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 consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedules of Segment Disclosure.

23. AMBULANCE

Effective January 1, 2014 the Bonnyville Regional Fire Authority signed an Assignment and Novation Agreement with Alberta Health Services to take over the operations of the Bonnyville Municipal Ambulance. The Bonnyville Municipal Ambulance's assets, liabilities and accumulated surplus of \$943,065 were amalgamated into the Bonnyville Regional Fire Authority.

The effect on the financial statements has caused the Municipality to consolidate an additional \$1,948,296 into user fees and sales of goods, \$1,986,771 of expenses and local government transfers of \$754,207.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.

26. BUDGET

The budget figures presented in these consolidated financial statements are based on the budget approved by the Municipality's council on April 9, 2014 and the Municipality's proportionate share of the Bonnyville Regional Fire Authority's budget. Amortization was included in the budget but was removed for the calculation of the taxation requirement.