

**MUNICIPAL DISTRICT OF
BONNYVILLE NO. 87
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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, 2016 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, 2016 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 26, 2017


Hawkings Epp Dumont LLP
Chartered Accountants





**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 Chartered Professional 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 Director of Finance & Administration reviewed these consolidated financial statements with the auditors in detail before recommending their approval to the Reeve and Council.


Chris Cambridge
Chief Administrative Officer


Michael Trabyski
Director of Finance & Administration

Bonnyville, Alberta
April 26, 2017

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 72,762,324	\$ 57,277,288
Accounts receivable		
Taxes and grants in place of taxes (Note 3)	1,525,339	962,959
Trade and other (Note 3)	3,920,854	5,100,133
Debt recoverable - local improvements (Note 4)	625,199	669,009
Land held for resale	345,090	345,090
Investments (Note 5)	<u>59,262</u>	<u>50,314</u>
	<u>79,238,068</u>	<u>64,404,793</u>
LIABILITIES		
Accounts payable and accrued liabilities	3,565,495	3,309,559
Deposit liabilities (Note 7)	1,445,014	1,587,977
Deferred revenue (Note 8)	433,431	130,444
Employee benefit obligations (Note 9)	1,001,335	955,651
Long-term debt (Note 10)	625,199	819,030
Landfill closure and post-closure liability (Note 11)	<u>1,921,025</u>	<u>1,969,161</u>
	<u>8,991,499</u>	<u>8,771,822</u>
NET FINANCIAL ASSETS	<u>70,246,569</u>	<u>55,632,971</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 1)	232,965,735	220,604,199
Inventory for consumption (Note 12)	22,580,783	20,118,207
Prepaid expenses	<u>439,987</u>	<u>554,449</u>
	<u>255,986,505</u>	<u>241,276,855</u>
ACCUMULATED SURPLUS (NOTE 13)	<u>\$326,233,074</u>	<u>\$296,909,826</u>
Contingencies (Note 16)		

ON BEHALF OF COUNCIL:



MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 (Budget) (Note 22)	2016 (Actual)	2015 (Actual)
REVENUE			
Net municipal taxes (Schedule 3)	\$ 68,625,118	\$ 69,023,361	\$ 61,281,549
User fees and sales of goods (Schedule 5)	4,414,433	4,272,762	4,137,645
Government transfers for operating (Schedule 4)	1,965,511	2,039,374	1,717,860
Interest	605,071	799,661	814,128
Penalties on taxes	225,000	377,010	278,039
Licenses and permits	348,584	356,962	447,894
Development levies	50,000	28,673	39,575
Sales to other governments	71,700	89,020	73,980
Fines	330,000	303,623	373,985
Other	<u>717,640</u>	<u>987,081</u>	<u>3,019,015</u>
	<u>77,353,057</u>	<u>78,277,527</u>	<u>72,183,670</u>
EXPENSES			
Council	649,606	562,751	585,653
Administration	5,484,645	4,847,869	4,951,698
Firefighting services	1,589,241	1,486,212	1,418,992
Ambulance	1,831,063	1,899,319	1,929,284
Disaster and emergency measures	489,197	426,757	397,337
Bylaws enforcement	2,140,952	2,024,037	1,795,326
Roads, streets, walks and lighting	29,478,338	27,392,090	25,509,805
Water supply and distribution	993,959	918,515	769,499
Wastewater treatment and disposal	588,505	503,333	448,937
Waste management	2,205,297	1,946,611	1,855,408
Family and Community Support Services	465,890	465,372	324,727
Community services	4,948,876	4,154,601	3,447,628
Land use planning, zoning and development	2,146,370	1,429,499	1,387,052
Agricultural services	1,840,365	1,703,975	1,592,968
Economic development and other planning	512,320	484,585	444,206
Recreation boards	2,089,702	1,994,015	2,044,536
Parks and recreation	3,350,018	3,033,209	2,913,609
Culture: Library	<u>377,650</u>	<u>374,504</u>	<u>357,911</u>
	<u>61,181,994</u>	<u>55,647,254</u>	<u>52,174,576</u>
ANNUAL SURPLUS BEFORE OTHER INCOME	<u>16,171,063</u>	<u>22,630,273</u>	<u>20,009,094</u>
OTHER INCOME			
Government transfers for capital (Schedule 4)	5,700,000	5,889,771	6,618,496
Contributed assets (Schedule 1)	1,400,000	863,156	2,017,812
Gain (loss) on disposal of tangible capital assets	<u>283,566</u>	<u>(59,952)</u>	<u>(836,444)</u>
	<u>7,383,566</u>	<u>6,692,975</u>	<u>7,799,864</u>
ANNUAL SURPLUS	23,554,629	29,323,248	27,808,958
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>296,909,826</u>	<u>296,909,826</u>	<u>269,100,868</u>
ACCUMULATED SURPLUS, END OF YEAR (NOTE 13)	<u>\$ 320,464,455</u>	<u>\$ 326,233,074</u>	<u>\$ 296,909,826</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 22)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
ANNUAL SURPLUS	\$ <u>23,554,629</u>	\$ <u>29,323,248</u>	\$ <u>27,808,958</u>
Acquisition of tangible capital assets	(34,606,516)	(27,660,825)	(36,574,033)
Contributed tangible capital assets	(1,400,000)	(863,156)	(2,017,812)
Proceeds on disposal of tangible capital assets	676,500	454,979	777,544
Amortization of tangible capital assets	15,083,398	15,647,513	13,816,954
Loss (gain) on disposal of tangible capital assets	<u>283,566</u>	<u>59,952</u>	<u>836,444</u>
	<u>(19,963,052)</u>	<u>(12,361,537)</u>	<u>(23,160,903)</u>
Net change in prepaid expenses	-	114,462	(131,906)
Net change in inventory for consumption	<u>-</u>	<u>(2,462,575)</u>	<u>(7,985,233)</u>
	<u>-</u>	<u>(2,348,113)</u>	<u>(8,117,139)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	3,591,577	14,613,598	(3,469,084)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>55,632,971</u>	<u>55,632,971</u>	<u>59,102,055</u>
NET FINANCIAL ASSETS, END OF YEAR	\$ <u><u>59,224,548</u></u>	\$ <u><u>70,246,569</u></u>	\$ <u><u>55,632,971</u></u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Cash from operations:		
Annual surplus	\$ 29,323,248	\$ 27,808,958
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	15,647,513	13,816,954
Acquisition of contributed capital assets	(863,156)	(2,017,812)
Loss (gain) on disposal of tangible capital assets	<u>59,952</u>	<u>836,444</u>
	<u>44,167,557</u>	<u>40,444,544</u>
 Change in non-cash working capital balances:		
Accounts receivable	616,899	1,164,095
Inventory for consumption	(2,462,575)	(7,985,233)
Prepaid expenses	114,462	(131,906)
Local improvements - recoverable	43,811	41,185
Provision for landfill closure and post-closure	(48,136)	(76,980)
Accounts payable and accrued liabilities	255,936	(186,420)
Employee benefit obligations	45,684	175,580
Deposit liabilities	(142,963)	(463,912)
Deferred revenue	<u>302,987</u>	<u>(64,702)</u>
	<u>(1,273,895)</u>	<u>(7,528,293)</u>
	<u>42,893,662</u>	<u>32,916,251</u>
FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(193,832)</u>	<u>(287,895)</u>
	<u>(193,832)</u>	<u>(287,895)</u>
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(27,660,825)	(36,574,033)
Proceeds on disposal of tangible capital assets	<u>454,979</u>	<u>777,544</u>
	<u>(27,205,846)</u>	<u>(35,796,489)</u>
INVESTING ACTIVITIES		
Decrease (increase) in investments	<u>(8,948)</u>	<u>438</u>
 CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	 15,485,036	 (3,167,695)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	<u>57,277,288</u>	<u>60,444,983</u>
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (NOTE 2)	<u>\$ 72,762,324</u>	<u>\$ 57,277,288</u>

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

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
SCHEDULE OF TANGIBLE CAPITAL ASSETS

SCHEDULE 1

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Land</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress*</u>	<u>2016</u>	<u>2015</u>
COST:								
Balance, Beginning of Year	\$ 9,452,969	\$ 40,008,902	\$ 547,326,577	\$ 27,807,828	\$ 13,254,633	\$ 9,796,015	\$ 647,646,924	\$ 616,126,224
Additions	49,040	275,318	16,665,106	1,520,258	1,222,851	7,928,252	27,660,825	36,574,033
Contributed assets	520,633	-	342,523	-	-	-	863,156	2,017,812
Disposals	-	-	-	(917,696)	(326,782)	-	(1,244,478)	(7,071,145)
Transfers	-	2,053,026	6,678,818	-	-	(8,731,844)	-	-
Balance, End of Year	<u>10,022,642</u>	<u>42,337,246</u>	<u>571,013,024</u>	<u>28,410,390</u>	<u>14,150,702</u>	<u>8,992,423</u>	<u>674,926,427</u>	<u>647,646,924</u>
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	4,209,655	405,742,093	9,732,958	7,358,019	-	427,042,725	418,682,927
Amortization expense	-	821,036	11,556,599	2,186,659	1,083,219	-	15,647,513	13,816,954
Disposals	-	-	-	(447,228)	(282,318)	-	(729,546)	(5,457,156)
Balance, End of Year	<u>-</u>	<u>5,030,691</u>	<u>417,298,692</u>	<u>11,472,389</u>	<u>8,158,920</u>	<u>-</u>	<u>441,960,692</u>	<u>427,042,725</u>
NET BOOK VALUE, END OF YEAR	\$ <u>10,022,642</u>	\$ <u>37,306,555</u>	\$ <u>153,714,332</u>	\$ <u>16,938,001</u>	\$ <u>5,991,782</u>	\$ <u>8,992,423</u>	\$ <u>232,965,735</u>	\$ <u>220,604,199</u>

*Construction in progress is comprised of

	<u>\$ -</u>	<u>\$ 1,815,089</u>	<u>\$ 7,177,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,992,423</u>	<u>\$ 9,796,015</u>
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The accompanying notes are an integral part of these financial statements.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87
SCHEDULE OF EQUITY IN TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE 2

	<u>2016</u>	<u>2015</u>
BALANCE, BEGINNING OF YEAR	\$220,504,178	\$197,146,566
Acquisition of tangible capital assets	27,660,825	36,574,033
Acquisition of contributed capital assets	863,156	2,017,812
Amortization of tangible capital assets	(15,647,513)	(13,816,954)
Repayment of long-term debt and callable debt	143,832	237,895
Levied portion of debt recoverable - local improvements	(43,811)	(41,185)
Cost of tangible capital assets disposed	(1,244,478)	(7,071,145)
Accumulated amortization of tangible capital assets disposed	<u>729,546</u>	<u>5,457,156</u>
BALANCE, END OF YEAR	<u>\$232,965,735</u>	<u>\$220,504,178</u>

Equity in Tangible Capital Assets is Comprised of the Following:

Tangible capital assets (net book value) <i>(Schedule 1)</i>	\$232,965,735	\$220,604,199
Debt recoverable - local improvements <i>(Note 4)</i>	625,199	669,009
Long-term debt (tax supported) <i>(Note 10)</i>	<u>(625,199)</u>	<u>(769,030)</u>
	<u>\$232,965,735</u>	<u>\$220,504,178</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

SCHEDULE 3

SCHEDULE OF PROPERTY AND OTHER TAXES

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 22)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TAXATION			
Real property taxes	\$ 45,570,919	\$ 45,437,146	\$ 38,619,168
Linear property taxes	36,495,706	36,882,433	35,511,022
Local improvement taxes (Note 4)	45,575	42,651	45,275
Government grants in lieu of property taxes	<u>55,401</u>	<u>55,401</u>	<u>70,963</u>
	<u>82,167,601</u>	<u>82,417,631</u>	<u>74,246,428</u>
REQUISITIONS			
Alberta School Foundation Fund	12,564,358	12,416,145	12,033,680
Lakeland Roman Catholic Separate School District #150	678,422	678,422	638,870
Lakeland Lodge and Housing Foundation	<u>299,703</u>	<u>299,703</u>	<u>292,329</u>
	<u>13,542,483</u>	<u>13,394,270</u>	<u>12,964,879</u>
NET MUNICIPAL TAXES	<u>\$ 68,625,118</u>	<u>\$ 69,023,361</u>	<u>\$ 61,281,549</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

SCHEDULE 4

SCHEDULE OF GOVERNMENT TRANSFERS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u> (Budget) (Note 22)	<u>2016</u> (Actual)	<u>2015</u> (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 1,864,362	\$ 1,938,017	\$ 1,675,623
Local governments	<u>101,149</u>	<u>101,357</u>	<u>42,237</u>
	<u>1,965,511</u>	<u>2,039,374</u>	<u>1,717,860</u>
TRANSFERS FOR CAPITAL			
Provincial government	5,700,000	5,167,809	6,336,472
Federal government	<u>-</u>	<u>721,962</u>	<u>282,024</u>
	<u>5,700,000</u>	<u>5,889,771</u>	<u>6,618,496</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 7,665,511</u>	<u>\$ 7,929,145</u>	<u>\$ 8,336,356</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2016

	Council and General Government	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	\$ 69,023,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,023,361
All other	1,238,085	524,830	44,676	-	624,908	90,716	61,851	2,585,066
User fees and sales of goods	8,550	2,410,751	99,788	-	-	431,672	1,322,001	4,272,762
Government transfers	-	101,357	269,980	426,588	1,010,014	4,012	227,423	2,039,374
Licenses and permits	229,508	3,163	82,366	-	41,924	-	-	356,961
	<u>70,499,504</u>	<u>3,040,101</u>	<u>496,810</u>	<u>426,588</u>	<u>1,676,846</u>	<u>526,400</u>	<u>1,611,275</u>	<u>78,277,527</u>
EXPENSES								
Salaries, wages, and benefits	4,195,520	3,924,679	2,117,785	3,482	6,864,515	1,117,534	1,529,813	19,753,328
Contracted and general services	803,519	466,985	693,069	-	959,563	387,899	755,404	4,066,439
Transfers to other governments	-	-	-	4,283,603	30,654	762,261	-	5,076,518
Transfers to local boards and organizations	-	58,920	132,800	332,822	-	-	1,322,757	1,847,299
Materials, goods, supplies and utilities	210,658	848,886	463,079	66	6,375,877	455,252	980,394	9,334,212
Other (recovery)	(135,341)	-	-	-	1,891	-	12,143	(121,307)
Interest on long term debt	-	1,192	-	-	-	42,060	-	43,252
	<u>5,074,356</u>	<u>5,300,662</u>	<u>3,406,733</u>	<u>4,619,973</u>	<u>14,232,500</u>	<u>2,765,006</u>	<u>4,600,511</u>	<u>39,999,741</u>
ANNUAL SURPLUS BEFORE AMORTIZATION	65,425,148	(2,260,561)	(2,909,923)	(4,193,385)	(12,555,654)	(2,238,606)	(2,989,236)	38,277,786
Amortization of tangible capital assets	336,265	535,663	211,326	-	13,159,591	603,453	801,215	15,647,513
Capital recovery of amortization	-	-	-	-	-	-	-	-
ANNUAL SURPLUS BEFORE OTHER INCOME	65,088,883	(2,796,224)	(3,121,249)	(4,193,385)	(25,715,245)	(2,842,059)	(3,790,451)	22,630,273
Government transfers for capital	-	-	-	-	5,886,256	-	3,515	5,889,771
Contributed assets	-	-	-	-	359,026	-	504,130	863,156
Gain (loss) on disposal of tangible capital assets	2,176	(3,396)	3,778	-	(57,521)	-	(4,989)	(59,952)
ANNUAL SURPLUS	<u>\$ 65,091,059</u>	<u>\$ (2,799,620)</u>	<u>\$ (3,117,471)</u>	<u>\$ (4,193,385)</u>	<u>\$ (19,527,484)</u>	<u>\$ (2,842,059)</u>	<u>\$ (3,287,795)</u>	<u>\$ 29,323,248</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

CONSOLIDATED SCHEDULE OF SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2015

	Council and General Government	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	\$ 61,281,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,281,549
All other	1,174,764	585,229	29,231	-	2,588,421	109,532	111,545	4,598,722
User fees and sales of goods	8,000	2,326,890	60,385	-	-	434,972	1,307,398	4,137,645
Government transfers	-	42,237	265,980	303,815	900,000	-	205,828	1,717,860
Licenses and permits	194,009	1,694	185,163	-	67,028	-	-	447,894
	<u>62,658,322</u>	<u>2,956,050</u>	<u>540,759</u>	<u>303,815</u>	<u>3,555,449</u>	<u>544,504</u>	<u>1,624,771</u>	<u>72,183,670</u>
EXPENSES								
Salaries, wages, and benefits	3,843,548	3,846,940	1,963,249	2,850	6,421,819	1,071,956	1,559,796	18,710,158
Contracted and general services	876,902	288,013	699,936	445	1,079,823	343,145	772,864	4,061,128
Transfers to other governments	-	-	-	3,469,243	35,896	653,787	-	4,158,926
Transfers to local boards and organizations	-	24,782	131,900	299,817	-	-	1,368,659	1,825,158
Materials, goods, supplies and utilities	137,515	863,620	436,944	-	6,977,457	467,319	819,775	9,702,630
Other	390,103	-	-	-	-	-	5,684	395,787
Interest on long term debt	-	5,494	-	-	-	44,721	-	50,215
	<u>5,248,068</u>	<u>5,028,849</u>	<u>3,232,029</u>	<u>3,772,355</u>	<u>14,514,995</u>	<u>2,580,928</u>	<u>4,526,778</u>	<u>38,904,002</u>
ANNUAL SURPLUS BEFORE AMORTIZATION	57,410,254	(2,072,799)	(2,691,270)	(3,468,540)	(10,959,546)	(2,036,424)	(2,902,007)	33,279,668
Amortization of tangible capital assets	289,282	512,089	192,198	-	11,541,190	492,915	789,280	13,816,954
Capital recovery of amortization	-	-	-	-	(546,380)	-	-	(546,380)
ANNUAL SURPLUS BEFORE OTHER INCOME	57,120,972	(2,584,888)	(2,883,468)	(3,468,540)	(21,954,356)	(2,529,339)	(3,691,287)	20,009,094
Government transfers for capital	51,968	-	-	-	6,543,284	23,244	-	6,618,496
Contributed assets	-	-	-	-	244,993	1,536,529	236,290	2,017,812
Gain (loss) on disposal of tangible capital assets	(5,214)	(114,699)	(37,296)	-	(688,069)	(3,297)	12,131	(836,444)
ANNUAL SURPLUS	<u>\$ 57,167,726</u>	<u>\$ (2,584,888)</u>	<u>\$ (2,920,764)</u>	<u>\$ (3,468,540)</u>	<u>\$ (15,854,148)</u>	<u>\$ (972,863)</u>	<u>\$ (3,442,866)</u>	<u>\$ 27,808,958</u>

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

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 71.000% (2014 - 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, 2016

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.

The Municipality has used estimates to determine an allowance for doubtful accounts, accrued liabilities, employment benefit obligations, and the useful lives of tangible capital assets.

(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 are 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, 2016

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	10-15 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, 2016

2. CASH AND TEMPORARY INVESTMENTS

	<u>2016</u>	<u>2015</u>
Cash	\$ 2,511,493	\$ 1,927,925
Temporary investments	<u>70,250,831</u>	<u>55,349,363</u>
	<u>\$ 72,762,324</u>	<u>\$ 57,277,288</u>

Temporary investments are short-term deposits with original maturities of three months or less bearing interest at rates ranging from 1.40% to 1.60% maturing during 2017.

Included in term deposits is a restricted amount of \$733,907 (2015 - \$811,589) received from money-in-place of municipal reserves and held exclusively for municipal and public recreation purposes.

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Taxes and grants in place of taxes		
Current taxes	\$ 1,370,348	\$ 1,225,022
Arrears taxes	<u>591,756</u>	<u>557,977</u>
	1,962,104	1,782,999
Less: Allowance for doubtful accounts	<u>(436,765)</u>	<u>(820,040)</u>
	<u>\$ 1,525,339</u>	<u>\$ 962,959</u>
Trade and other		
Receivable from other governments	\$ 2,542,350	\$ 3,382,267
Receivable from other governments - GST	550,985	554,387
Trade and other	<u>827,519</u>	<u>1,163,479</u>
	<u>\$ 3,920,854</u>	<u>\$ 5,100,133</u>

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, and 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, 2016

5. INVESTMENTS

	<u>2016</u>	<u>2015</u>
Landfill reclamation security deposits	\$ 35,147	\$ 35,077
Other	<u>24,115</u>	<u>15,237</u>
	<u>\$ 59,262</u>	<u>\$ 50,314</u>

6. LINE OF CREDIT

The Municipality has a \$10,000,000 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>2016</u>	<u>2015</u>
Subdivision deposits	\$ 1,367,503	\$ 1,524,641
Water meter deposits	48,746	38,323
Other deposits	<u>28,765</u>	<u>25,013</u>
	<u>\$ 1,445,014</u>	<u>\$ 1,587,977</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>2016</u>	<u>2015</u>
Municipal Sustainability Initiative - capital	\$ 328,992	\$ -
Other	104,426	130,430
Willow Prairie Agricultural Society lease agreement	<u>13</u>	<u>14</u>
	<u>\$ 433,431</u>	<u>\$ 130,444</u>

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

9. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2016</u>	<u>2015</u>
Vacation and overtime	\$ <u>1,001,335</u>	\$ <u>955,651</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 their employees.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

10. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
Tax supported debentures	\$ 625,199	\$ 769,030
Agreement payable, The Bonnyville Agricultural Society	<u>-</u>	<u>50,000</u>
	<u>\$ 625,199</u>	<u>\$ 819,030</u>

The current portion of the long-term debt amounts to \$46,604 (2015 - \$193,831).

Principal and interest repayments:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 46,604	\$ 39,856	\$ 86,460
2018	49,575	36,885	86,460
2019	52,735	33,725	86,460
2020	56,097	30,363	86,460
2021	59,673	26,787	86,460
Thereafter	<u>360,515</u>	<u>71,785</u>	<u>432,300</u>
	<u>\$ 625,199</u>	<u>\$ 239,401</u>	<u>\$ 864,600</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at a rate of 6.375% per annum maturing in the year 2026.

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

Interest on long-term debt amounted to \$43,253 (2015 - \$50,214).

The Municipality's total cash payments for interest is \$43,777 (2015 - \$50,862).

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

11. 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 642,653 (2015 - 650,791) 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>2016</u>	<u>2015</u>
Estimated closure liability Class 2 landfills	\$ 293,925	\$ 293,925
Estimated post-closure liability Class 2 landfills	1,592,740	1,646,522
Estimated closure liability Class 3 landfills	228,870	228,870
Estimated post-closure liability Class 3 landfills	<u>124,740</u>	<u>120,444</u>
Estimated total liability	<u>\$ 2,240,275</u>	<u>\$ 2,289,761</u>
Estimated capacity remaining Class 3 landfills	92%	93%
Portion of total liability remaining to be recognized Class 3 landfills	<u>\$ 319,250</u>	<u>\$ 320,600</u>
Estimated capacity used Class 2 landfills	100%	100%
Estimated capacity used Class 3 landfills	8%	7%
Accrued liability portion Class 2 landfills	\$ 1,886,665	\$ 1,940,447
Accrued liability portion Class 3 landfills	<u>34,360</u>	<u>28,714</u>
Accrued liability portion	<u>\$ 1,921,025</u>	<u>\$ 1,969,161</u>

12. INVENTORY FOR CONSUMPTION

	<u>2016</u>	<u>2015</u>
Gravel	\$ 21,496,956	\$ 19,177,796
Parts, culverts and other	<u>1,083,827</u>	<u>940,411</u>
	<u>\$ 22,580,783</u>	<u>\$ 20,118,207</u>

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

13. ACCUMULATED SURPLUS

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

	<u>2016</u>	<u>2015</u>
Unrestricted surplus	\$ <u>22,012,405</u>	\$ <u>18,177,627</u>
Restricted surplus		
Cash flow	37,500,000	37,500,000
General equipment replacement	32,136,903	19,219,999
Other	<u>1,618,031</u>	<u>1,508,022</u>
	<u>71,254,934</u>	<u>58,228,021</u>
Equity in tangible capital assets	<u>232,965,735</u>	<u>220,504,178</u>
	<u>\$326,233,074</u>	<u>\$296,909,826</u>

14. 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>2016</u>	<u>2015</u>
Total debt limit	\$ 117,416,291	\$ 108,275,505
Total debt	<u>625,199</u>	<u>819,030</u>
Amount of total debt limit unused	<u>\$116,791,092</u>	<u>\$107,456,475</u>
Debt servicing limit	\$ 19,569,382	\$ 18,045,918
Debt servicing	<u>86,460</u>	<u>237,608</u>
Amount of debt servicing limit unused	<u>\$ 19,482,922</u>	<u>\$ 17,808,310</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, 2016

15. 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 (1)</u>	<u>Benefits, Travel and Allowances (2)</u>	<u>2016 Total</u>	<u>2015 Total</u>
Elected Officials:				
Reeve	\$ 67,500	\$ 11,719	\$ 79,219	\$ 82,047
Ward #1	59,400	18,386	77,786	85,562
Ward #2	61,800	27,950	89,750	93,769
Ward #3	55,410	25,606	81,016	83,859
Ward #4	39,180	10,636	49,816	46,647
Ward #5	58,650	16,840	75,490	79,997
Ward #6	<u>57,240</u>	<u>16,726</u>	<u>73,966</u>	<u>81,559</u>
	<u>\$ 399,180</u>	<u>\$ 127,863</u>	<u>\$ 527,043</u>	<u>\$ 553,440</u>
Chief Administrative Officer	<u>\$ 205,000</u>	<u>\$ 48,031</u>	<u>\$ 253,031</u>	<u>\$ 237,107</u>

(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.

MUNICIPAL DISTRICT OF BONNYVILLE NO. 87

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

16. 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.

17. 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.

18. 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 2016 were \$1,493,257 (2015 - \$1,478,086). Total current and past service contributions made by the employees of the Municipality to the LAPP in 2014 were \$1,378,574 (2015 - \$1,364,398).

At December 31, 2015, the LAPP disclosed an actuarial deficit of of \$923.4 million (2014 - \$2,454.6 million).

19. 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, 2016

20. 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 Segmented Information.

21. COMPARATIVE FIGURES

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

22. BUDGET

The budget figures presented in these consolidated financial statements are based on the budget approved by the Municipality's council on April 27, 2016 and include 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.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.