

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Financial Statements
For the Year Ended December 31, 2014

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

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Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the
Municipal District of Opportunity No. 17

We have audited the accompanying consolidated financial statements of Municipal District of Opportunity No. 17, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, changes 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 conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Municipal District of Opportunity No. 17 as at December 31, 2014, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The prior year's financial statements were audited by another firm of Chartered Accountants who expressed an unmodified opinion dated July 31, 2014

Edmonton, Alberta
April 22, 2015

Collins Barrow Edmonton LLP

Chartered Accountants

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Statement of Financial Position
December 31, 2014

	2014	2013
		(Restated - Note 20)
Financial Assets		
Cash and cash equivalents	\$ 19,515,452	\$ 1,775,692
Restricted cash (Note 3)	309,103	296,499
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	1,294,310	4,407,619
Due from federal and provincial governments	2,031,055	4,113,387
Trade and other receivables	747,741	1,092,606
Due from Municipal District Housing Corporation	---	1,342,454
Land held for resale	<u>1,181,534</u>	<u>734,512</u>
	<u>25,079,195</u>	<u>13,762,769</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	7,171,930	8,776,626
Deposit liabilities	458,141	724,681
Deferred revenue (Note 7)	140,207	101,376
Trust liability – land sales (Note 8)	164,431	167,874
Landfill closure and post-closure liabilities (Note 9)	83,066	55,909
Long-term debt (Note 10)	<u>2,049,420</u>	<u>76,581</u>
	<u>10,067,195</u>	<u>9,903,047</u>
Net Financial Assets	<u>15,012,000</u>	<u>3,859,722</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	302,468,535	299,982,429
Inventory for consumption	289,583	304,974
Prepaid expenses	<u>489,601</u>	<u>378,756</u>
	<u>303,247,719</u>	<u>300,666,159</u>
Accumulated surplus (Note 13)	<u>\$ 318,259,719</u>	<u>\$ 304,525,881</u>
Commitments (Note 16)		
Contingencies (Note 17)		

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Statement of Operations
For the Year Ended December 31, 2014

	Budget 2014 (Unaudited)	2014	2013 (Restated - Note 20)
Revenues			
Net municipal taxes (Schedule 3)	\$ 64,655,707	\$ 70,121,218	\$ 65,289,380
User fees and sales of goods	5,179,198	4,545,624	4,614,892
Government transfers for operating (Schedule 4)	127,828	680,039	683,857
Investment income	150,000	243,202	288,571
Penalties and costs on taxes	110,800	123,161	89,825
Rentals	679,730	804,606	706,824
Well drilling	600,000	422,076	635,106
Licenses, permits and fines	24,000	59,113	34,029
Other	101,000	139,341	333,840
	<u>71,628,263</u>	<u>77,138,380</u>	<u>72,676,324</u>
Expenses			
Council	1,777,169	1,400,259	1,278,345
Administration	7,800,757	7,680,421	7,657,920
Fire protection and safety services	3,168,639	2,925,580	3,037,947
Bylaw enforcement	111,679	104,258	98,562
Roads, streets, walks, lighting	21,252,583	22,208,767	21,877,676
Airport	319,842	316,058	348,464
Water supply and distribution	7,466,491	7,572,286	6,384,657
Wastewater treatment and disposal	2,618,284	2,765,396	2,460,098
Waste management	1,033,320	698,091	731,842
Family and community support	235,359	179,951	174,622
Daycare	2,368,121	2,103,492	1,816,741
Public health and welfare	2,277,894	2,199,324	2,012,783
Land use planning, zoning and development	1,809,856	1,123,766	1,638,207
Economic development and tourism	704,523	588,813	675,938
Land, housing, and building rentals	---	1,689,271	2,111,610
Recreation and culture	13,272,514	10,998,723	11,316,858
	<u>66,217,031</u>	<u>64,554,456</u>	<u>63,622,270</u>
Excess of revenues over expenses – before other	5,411,232	12,583,924	9,054,054
Other			
Contributions from other organizations	---	---	576,875
Government transfers for capital (Schedule 4)	---	1,149,914	5,828,569
Excess of revenues over expenditures	5,411,232	13,733,838	15,459,498
Accumulated surplus, beginning of year	304,525,881	304,525,881	289,066,383
Accumulated surplus, end of year	\$ 309,937,113	\$ 318,259,719	\$ 304,525,881

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2014

	Budget 2014 (Unaudited)	2014	2013 (Restated - Note 20)
Excess of revenues over expenses	\$ 5,411,232	\$ 13,733,838	\$ 15,459,498
Acquisition of tangible capital assets	(27,623,403)	(16,864,726)	(41,654,042)
Amortization of tangible capital assets	13,000,000	14,188,861	12,889,675
Change in work in progress	---	189,759	(732,462)
Loss on sale of tangible capital assets	---	---	39,380
	<u>(14,623,403)</u>	<u>(2,486,106)</u>	<u>(29,457,449)</u>
Change in inventory for consumption	---	15,391	287,489
Change in prepaid expenses	---	(110,845)	(134,203)
	---	<u>(95,454)</u>	<u>153,286</u>
Increase (decrease) in net financial assets	(9,212,171)	11,152,278	(13,844,665)
Net financial assets, beginning of year	<u>3,859,722</u>	<u>3,859,722</u>	<u>17,704,387</u>
Net financial assets, end of year	<u>\$ (5,352,449)</u>	<u>\$ 15,012,000</u>	<u>\$ 3,859,722</u>

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014

	2014	2013
		(Restated Note - 20)
Operating		
Excess of revenues over expenses	\$ 13,733,838	\$ 15,459,498
Items not involving cash:		
Amortization of tangible capital assets	14,188,861	12,889,675
Loss on disposal of tangible capital assets	---	39,380
Increase in the provision for landfill closure and post closure costs	27,157	25,148
Change in work in progress	91,406	(732,462)
Change in capital assets	98,353	---
Financial relief to MD Housing Authority	1,689,271	2,111,610
Changes in non-cash operating balances:		
Increase in taxes and grants in place of taxes receivable	3,113,309	(1,934,367)
Decrease (increase) in due from federal and provincial governments	2,082,332	2,561,066
Decrease (increase) in trade and other receivables	344,865	1,838,637
Increase in land held for resale	(447,022)	(433,966)
Increase in prepaid expenses	(110,845)	(134,203)
Decrease (increase) in inventory for consumption	15,391	287,489
Decrease in accounts payable and accrued liabilities	(1,604,696)	(3,507,865)
Decrease in deposit liabilities	(266,540)	(128,395)
Decrease in deferred revenue	38,831	(15,907)
Decrease in trust liability	(3,443)	(26,081)
	<u>32,991,068</u>	<u>28,299,257</u>
Capital		
Acquisition of tangible capital assets	<u>(16,864,726)</u>	<u>(41,654,042)</u>
Investing		
Decrease (increase) in restricted cash	(12,604)	14,739
Advances to related parties	<u>(346,817)</u>	<u>(3,408,305)</u>
	<u>(359,421)</u>	<u>(3,393,566)</u>
Financing		
Advances of long-term debt	2,045,650	---
Repayments of long-term debt	(72,811)	(33,791)
Repayments to related parties	<u>---</u>	<u>(378,769)</u>
	<u>1,972,839</u>	<u>(412,560)</u>
Change in cash and cash equivalents during the year	17,739,760	(17,160,911)
Cash and cash equivalents, beginning of year	<u>1,775,692</u>	<u>18,936,603</u>
Cash and cash equivalents, end of year	<u>\$ 19,515,452</u>	<u>\$ 1,775,692</u>

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2014

Schedule 1

	Unrestricted Surplus	Restricted Operating Reserves	Equity in Tangible Capital Assets	2014	2013 (Restated - Note 20)
Balance, beginning of year	\$ ---	\$ 5,024,877	\$ 299,905,848	\$ 304,930,725	\$ 289,646,072
Prior year excess of revenues over expenses, as restated (Note 20)	(404,844)	---	---	(404,844)	(579,689)
Balance, beginning of year, as restated	(404,844)	5,024,877	299,905,848	304,525,881	289,066,383
Excess of revenues over expenses, as restated (Note 20)	13,733,838	---	---	13,733,838	15,459,498
Amortization	14,188,861	---	(14,188,861)	---	---
Transfer for Water Treatment Plant Reserve	(5,000,000)	5,000,000	---	---	---
Restricted funds used for tangible capital assets	---	(5,024,877)	5,024,877	---	---
Current year funds used for tangible capital assets	(11,650,090)	---	11,650,090	---	---
Issuance of tangible capital asset related long term debt	2,045,650	---	(2,045,650)	---	---
Tangible capital asset long term debt repaid	(72,811)	---	72,811	---	---
Change in accumulated surplus	13,245,448	5,000,000	513,267	13,733,838	15,459,498
Balance, end of year	\$ 12,840,604	\$ 5,000,000	\$ 300,419,115	\$ 318,259,719	\$ 304,525,881

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2014

Schedule 2

	Land	Work in Progress	Buildings	Engineered Structures	Machinery and Equipment	Furniture	Vehicles	2014	2013
Cost									
Balance, beginning of year	\$ 1,336,477	\$ 23,254,631	\$ 80,723,651	\$ 300,595,089	\$ 14,537,993	\$	\$ 10,443,623	\$430,891,464	\$388,547,241
Acquisition of tangible capital assets	270,316	12,283,987	810,645	1,632,719	233,969	47,967	1,570,948	16,850,551	41,654,042
Transfer of completed projects	(15,106)	(10,704,704)	672,031	8,244,271	168,960	--	1,458,965	(175,583)	732,462
Disposal of tangible capital assets	--	--	--	--	(134,892)	--	(328,587)	(463,479)	(42,281)
Balance, end of year	<u>1,591,687</u>	<u>24,833,914</u>	<u>82,206,327</u>	<u>310,472,079</u>	<u>14,806,030</u>	<u>47,967</u>	<u>13,144,949</u>	<u>447,102,953</u>	<u>430,891,464</u>
Accumulated amortization									
Balance, beginning of year	--	--	11,691,371	108,153,690	6,887,450	--	4,176,524	130,909,035	118,022,258
Annual amortization	--	--	1,728,748	10,601,940	998,424	--	859,750	14,188,862	12,889,675
Accumulated amortization on disposals	--	--	--	--	(134,892)	--	(328,587)	(463,478)	(2,898)
Balance, end of year	<u>--</u>	<u>--</u>	<u>13,420,119</u>	<u>118,755,630</u>	<u>7,750,982</u>	<u>--</u>	<u>4,707,687</u>	<u>144,634,418</u>	<u>130,909,035</u>
Net book value of intangible capital assets	<u>\$ 1,591,687</u>	<u>\$ 24,833,914</u>	<u>\$ 68,786,208</u>	<u>\$ 191,716,449</u>	<u>\$ 7,005,048</u>	<u>\$ 47,967</u>	<u>\$ 8,437,261</u>	<u>\$302,468,535</u>	<u>\$299,982,429</u>
2013 Net book value of intangible capital assets	<u>\$ 1,336,477</u>	<u>\$ 23,254,651</u>	<u>\$ 69,032,280</u>	<u>\$ 192,441,399</u>	<u>\$ 7,650,543</u>	<u>--</u>	<u>\$ 6,267,099</u>		

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Schedule of Property and Other Taxes
For the Year Ended December 31, 2014

Schedule 3

	Budget 2014 (Unaudited)	2014	2013
Taxation			
Real property taxes	\$ 29,964,984	\$ 34,366,930	\$ 32,230,867
Linear property	44,944,098	45,401,396	42,779,457
Federal grants in place of taxes	---	18,721	23,668
Provincial grants in place of taxes	---	69,782	79,187
	<u>74,909,082</u>	<u>79,856,829</u>	<u>75,113,179</u>
Requisitions			
Alberta School Foundation Fund	9,525,886	9,515,061	9,142,228
Senior lodges	250,000	220,550	228,859
Housing	477,489	---	452,712
	<u>10,253,375</u>	<u>9,735,611</u>	<u>9,823,799</u>
Net municipal taxes	<u>\$ 64,655,707</u>	<u>\$ 70,121,218</u>	<u>\$ 65,289,380</u>

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Schedule of Government Transfers
For the Year Ended December 31, 2014

Schedule 4

	Budget 2014 (Unaudited)	2014	2013
Transfers for operating			
Provincial government	\$ 127,828	\$ 680,039	\$ 683,857
	<u>127,828</u>	<u>680,039</u>	<u>683,857</u>
Transfers for capital			
Provincial government	---	1,149,914	5,828,569
Total government transfers	\$ 127,828	\$ 1,829,953	\$ 6,512,426

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Schedule of Expenses by Object
For the Year Ended December 31, 2014

Schedule 5

	Budget 2014 (Unaudited)	2014	2013
Expenses by object			
Salaries, wages and benefits	\$ 31,514,973	\$ 28,262,589	\$ 25,818,004
Contracted and general services	13,813,745	12,227,603	12,500,797
Materials, goods, supplies and utilities	5,303,373	6,159,677	6,516,559
Provision for allowances	375,000	256,807	1,058,334
Transfers to local boards and agencies	2,123,628	3,252,709	4,734,607
Bank charges and short term interest	43,000	164,767	55,394
Interest on long term debt	43,312	41,443	9,520
Loss on disposal of tangible capital assets	---	---	39,380
Amortization of tangible capital assets	13,000,000	14,188,861	12,889,675
	<u>\$ 66,217,031</u>	<u>\$ 64,554,456</u>	<u>\$ 63,622,270</u>

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2014

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Culture	Other	Total
Revenues								
Net municipal taxes	\$ 70,121,218	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 70,121,218
Government transfers	---	200,000	515,244	790,997	15,000	36,956	271,755	1,829,952
User fees and sales of goods	12,584	48,001	60,777	2,505,407	680,895	116,213	1,121,747	4,545,624
Investment income	243,202	---	---	---	---	---	---	243,202
Other revenues	538,076	86,434	---	9,877	418,736	447,175	48,000	1,548,298
	<u>70,915,080</u>	<u>334,435</u>	<u>576,021</u>	<u>3,306,281</u>	<u>1,114,631</u>	<u>600,344</u>	<u>1,441,502</u>	<u>78,288,294</u>
Expenses								
Salaries, wages and benefits	5,224,805	1,639,859	7,636,591	3,610,013	1,016,606	6,578,567	2,556,148	28,262,589
Contracted and general services	2,164,092	847,415	3,908,023	3,254,236	232,441	248,838	1,572,558	12,227,603
Materials, goods, supplies and utilities	203,402	217,580	2,276,254	1,411,237	37,861	1,762,422	250,921	6,159,677
Transfers to local boards and agencies	2,604,791	24,000	---	216,233	117,735	206,850	83,100	3,252,709
Interest on long term debt	---	---	---	41,443	---	---	---	41,443
Other expenses	197,999	984	3,957	2,613	207,935	2,045	6,041	421,574
	<u>10,395,089</u>	<u>2,729,838</u>	<u>13,824,825</u>	<u>8,535,775</u>	<u>1,612,578</u>	<u>8,798,722</u>	<u>4,468,768</u>	<u>50,365,595</u>
Net revenues before amortization	<u>60,519,991</u>	<u>(2,395,403)</u>	<u>(13,248,804)</u>	<u>(5,229,494)</u>	<u>(497,947)</u>	<u>(8,198,378)</u>	<u>(3,027,266)</u>	<u>27,922,699</u>
Amortization of tangible capital assets	<u>175,075</u>	<u>382,812</u>	<u>8,768,441</u>	<u>2,597,935</u>	<u>173,037</u>	<u>2,028,309</u>	<u>63,252</u>	<u>14,188,861</u>
Net revenues	<u>\$ 60,344,916</u>	<u>\$ (2,778,215)</u>	<u>\$ (22,017,245)</u>	<u>\$ (7,827,429)</u>	<u>\$ (670,984)</u>	<u>\$ (10,226,687)</u>	<u>\$ (3,090,518)</u>	<u>\$ 13,733,838</u>
Net revenues - 2013	<u>\$ 55,670,190</u>	<u>\$ (2,953,725)</u>	<u>\$ (18,151,223)</u>	<u>\$ (6,191,530)</u>	<u>\$ (1,649,692)</u>	<u>\$ (8,540,819)</u>	<u>\$ (2,723,703)</u>	<u>\$ 15,459,498</u>

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Notes to the Consolidated Financial Statements
December 31, 2014

1. Significant Accounting Policies

The consolidated financial statements of the municipality are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the municipality are as follows:

Reporting entity

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

The schedule of taxes levied also includes requisitions for education, health, 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.

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 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.

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. Property tax revenue is recognized when the tax is levied.

Use of estimates

The preparation of financial statements in accordance 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 revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results may differ from those estimates.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Notes to the Consolidated Financial Statements
December 31, 2014

1. Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in Guaranteed Investment Certificates ("GIC's") and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

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 the value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Requisition over-levy and under-levies

Over-levies and under-levies arise from the difference between the actual property 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.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

Land held for resale

Land held for resale is recorded at 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 levelling 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.

Prepaid local improvement charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Notes to the Consolidated Financial Statements
December 31, 2014

1. Significant Accounting Policies (Continued)

Prepaid local improvement charges (Continued)

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

Landfill closure and post-closure liabilities

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.

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 amount can be made.

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 changes in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

a) 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:

Land improvements	15 to 25 years
Buildings	25 to 50 years
Engineered Structures	
Water system	45 to 75 years
Wastewater system	45 to 75 years
Other engineered structures	10 to 65 years
Machinery and equipment	10 to 40 years
Vehicles	10 to 40 years

Annual amortization is not charged in the year of acquisition or the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

1. **Summary of Significant Accounting Policies (Continued)**

Non-financial assets (Continued)

b) 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.

c) 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.

d) Inventories

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

e) Cultural and historical tangible capital assets

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

2. **Recent Accounting Pronouncements**

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants ("CICA") but are not yet effective. The municipality is currently evaluating the effect of adopting these standards on their financial statements.

Section PS 3260 – Liability for Contaminated Sites

This new section establishes recognition, measurement, and disclosure standards for liabilities relating to contaminated sites of governments and those organizations applying the CICA Public Sector Accounting Handbook. This section is effective for fiscal periods beginning on or after April 1, 2014.

Section PS 3450 – Financial Instruments

The new section establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments. All other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities.

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2 Recent Accounting Pronouncements (Continued)

Section PS 1201 – Financial Statement Presentation

This new section requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising for the re-measurement of financial instruments and items denominated in foreign currencies as well as government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2016

Section PS 2601 – Foreign Currency Translation

This section replaces PS2600 and is applicable for years beginning on or after April 1, 2016. This standard requires that monetary assets and liabilities denominated in a foreign currency be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses.

Section PS 3041 - Portfolio Investments

This section removes the distinction between temporary and portfolio investments. This section now includes pooled investments in its scope and was amended to conform to Financial Instruments PS3450. Upon adoption of PS3450 and PS3041 Temporary Investments PS3030 will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2016.

3. Restricted Cash

	<u>2014</u>	<u>2013</u>
Restricted funds held in cash	\$ 140,207	\$ 101,376
Tax recovery trust held in GIC's	<u>168,896</u>	<u>195,122</u>
Operating surplus	<u>\$ 309,103</u>	<u>\$ 296,499</u>

The tax recovery trust account is restricted as it represents proceeds from tax recovery properties which must be maintained by the Municipality for 10 years. This is a restricted amount held to fund any tax recoveries claimed.

Restricted funds held in cash are received from various grant authorities and held exclusively for capital and operating projects (Note 8).

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4. Taxes and Grants in Place of Taxes Receivable

	<u>2014</u>	<u>2013</u>
Current taxes and grants in place of taxes	\$ 1,078,634	\$ 4,285,459
Arrears taxes	<u>1,063,683</u>	<u>931,405</u>
	2,142,317	5,216,864
Less: Allowance for doubtful accounts	<u>(848,007)</u>	<u>(809,245)</u>
	<u>\$ 1,294,310</u>	<u>\$ 4,407,619</u>

5. Accounts Payable and Accrued Liabilities

The following is included in accounts payable and accrued liabilities:

	<u>2014</u>	<u>2013</u>
Vacation and overtime	\$ 653,976	\$ 521,278
Accounts payable and accrued liabilities	<u>6,517,954</u>	<u>8,255,348</u>
	<u>\$ 7,171,930</u>	<u>\$ 8,776,626</u>

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 or are entitled to these benefits within the next year.

6. Related Party Transactions

Throughout the year the Municipality incurred expenses on behalf of the Municipal District of Opportunity No. 17 Housing & Development Corporation ("MDHC"). During the year, the Municipality granted \$1,640,201 (2013 – \$2,111,610) of financial relief in the form of a grant to MDHC in lieu of repayment. As at December 31, 2014, a balance of \$49,070 (2013 - \$1,342,454) was owed by MDHC to the Municipality. This balance is non-interest bearing and has no specific terms of repayment.

7. Deferred Revenue

	<u>2014</u>	<u>2013</u>
Deferred revenue - operating	<u>\$ 140,207</u>	<u>\$ 101,376</u>

Funding received from the various grant programs noted above are restricted to the eligible operating and capital projects, as approved under the funding agreement.

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8. Trust Liability

The Municipality administers the following trust:

	<u>2014</u>	<u>2013</u>
Tax sale trust account		
Balance, beginning of year	\$ 167,874	\$ 193,955
Add: interest earned	1,021	1,167
Sale of property	---	(27,248)
10-year transfer to operating account	<u>(4,464)</u>	<u>---</u>
	<u>\$ 164,431</u>	<u>\$ 167,874</u>

9. Landfill Closure and Post-Closure Liabilities

The Municipality operates two Class II landfills in Red Earth Creek and Wabasca which can accept most types of waste after testing. The landfills are expected to provide capacity to 2041 and 2034 respectively. Closure activities occur on a stage by stage basis as the landfill reaches capacity. Post-closure activities will involve cover maintenance, groundwater and surface water monitoring and landfill gas monitoring. The monitoring and analysis costs remain consistent throughout the life of the waste management facility regardless of the number of active versus inactive stages as the same number of wells are monitored. Closure and post-closure costs are based on actual costs to complete those activities for the entire landfill for the 2014 year. Closure costs estimated below consist of the cost of closing the current stage on all open cells. Post-closure costs estimated below consist of maintenance and monitoring costs described above for both landfill sites. The landfills have an estimated remaining capacity of 185,198 cubic metres and 111,658 metric tonnes, respectively. It is estimated that the post-closure care will be required for a period of 25 years from closure.

	<u>2014</u>	<u>2013</u>
Estimated closure costs	\$ 1,274,670	\$ 1,274,670
Estimated post-closure costs	<u>3,937,601</u>	<u>3,937,601</u>
Total estimated costs	5,212,271	5,212,271
Liability accrued	<u>(83,066)</u>	<u>(55,909)</u>
Balance of estimated closure and post-closure costs to accrue	<u>\$ 5,129,205</u>	<u>\$ 5,156,362</u>

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The present value of the Municipality's estimated future liability for this expense is recognized as the landfill site's capacity is used. The liability and annual expense is calculated based on the ratio of utilization to total capacity of the landfill site.

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10. Long-term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	<u>2014</u>	<u>2013</u>
Tax supported debenture, payable to Alberta Capital Finance Authority, bearing interest at 8.625% per annum, maturing July 4, 2015	\$ 39,873	\$ 76,581
Developer agreement & levy payable to Alberta Capital Finance Authority, bearing interest at 3.406% per annum, maturing March 17, 2034	<u>2,009,547</u>	<u>---</u>
	<u>\$ 2,049,420</u>	<u>\$ 76,581</u>

Principal payments relating to net long-term debt of \$2,049,420 outstanding are due as follows:

2015	\$ 113,934
2016	76,605
2017	79,236
2018	81,958
2019	84,773
Thereafter	<u>1,612,914</u>
	<u>\$ 2,049,420</u>

11. 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 Municipality be disclosed as follows:

	<u>2014</u>	<u>2013</u>
Total debt limit	<u>\$ 115,707,570</u>	\$ 109,014,486
Total debt	<u>(2,049,420)</u>	<u>(76,581)</u>
Amount of debt limit unused	<u>\$ 113,658,150</u>	<u>\$ 108,937,905</u>
Debt servicing limit	\$ 19,284,595	\$ 18,169,081
Debt servicing	<u>(114,252)</u>	<u>(43,313)</u>
Amount of debt servicing limited unused	<u>\$ 19,170,343</u>	<u>\$ 18,125,768</u>

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

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12. Equity in Tangible Capital Assets

	<u>2014</u>	<u>2013</u>
Tangible capital assets (Schedule 2)	\$ 447,102,954	\$ 430,891,464
Accumulated amortization (Schedule 2)	(144,634,419)	(130,909,035)
Long-term debt (Note 11)	<u>(2,049,420)</u>	<u>(76,581)</u>
	<u>\$ 300,419,115</u>	<u>\$ 299,905,848</u>

13. 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	\$ 12,840,604	\$ (404,844)
Restricted surplus:		
Water Treatment Plant	5,000,000	---
Tangible capital assets	---	5,024,877
Equity in tangible capital assets	<u>300,419,115</u>	<u>299,905,848</u>
	<u>\$ 318,259,719</u>	<u>\$ 304,525,881</u>

14. Salaries and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<u>Salary</u>	<u>Benefits and Allowances</u>	<u>2014 Total</u>	<u>2013 Total</u>
Paul Sinclair (Reeve)	\$ 80,997	\$ 11,590	\$ 92,587	\$ 81,036
Marcel D. Auger (Deputy Reeve)	83,789	10,222	94,011	76,840
Leo Alook	80,997	9,059	90,056	82,124
Dollie Anderson	80,997	9,057	90,054	81,986
Thomas Auger	---	120	120	66,581
Dwayne Calliou	81,658	10,319	91,977	82,924
Clarence Cardinal	81,773	8,057	89,830	14,232
Victor Gladue	---	---	---	66,541
Ernie Grach	---	---	---	70,328
Everett Gottfried	80,997	11,699	92,696	15,138
Gerald Johnson	81,940	10,489	92,429	82,525
Louie Okenow	80,997	11,389	92,386	83,612
Hal Taron	81,601	11,646	93,247	15,108
Roy Yellowknee	80,997	11,835	92,832	83,602
Helen Alook(CEO)	176,587	27,917	204,504	---
Dennis Egyedy (former CEO)	---	---	---	386,951
	<u>\$ 896,743</u>	<u>\$ 115,482</u>	<u>\$ 1,012,225</u>	<u>\$ 1,289,528</u>

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Notes to the Consolidated Financial Statements
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14. Salaries and Benefits Disclosure (Continued)

Council salary includes regular base pay, gross honoraria and any other direct cash remuneration. Council benefits include:

- a) Employer's share of all benefits and contributions or payments made on behalf of employees, including health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans; and
- b) Allowances and the employer's share of the cost of additional taxable benefits, including special leave with pay, car and travel allowances, conferences and memberships.

15. Local Authorities Pension Plan

Employees of the Municipality participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 224,000 people and over 428 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The municipality is required to make current service contributions to the LAPP of 11.39% (2013 – 10.43%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (2013 – 14.47%) on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 10.39% (2013 – 9.43%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2013 – 13.47%) on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2014 were \$1,994,678 (2013 – \$1,617,610). Total current service contributions by the employees of the municipality in 2014 were \$1,835,736 (2013 – \$1,145,291).

16. Commitments

The Municipality is committed to completion of the Wabasca Downtown Subdivision Grading and Paving project. As of December 31, 2014, the Municipality has incurred \$1,669,396 in project-related costs (2013 – \$nil).

The Municipality is committed to completion of the Wabasca Downtown W & S Southeast project. As of December 31, 2014, the Municipality has incurred \$2,900,760 in project-related costs (2013 – \$2,925,893).

The Municipality is committed to completion of the Sandy Lake Phase 1 Servicing project. As of December 31, 2014, the Municipality has incurred \$4,986,791 in project-related costs (2013 – \$2,748,171).

The Municipality is committed to completion of the Wabasca Opportunity Drive Lift Station project. As of December 31, 2014, the Municipality has incurred \$1,892,745 in project-related costs (2013 – \$1,856,692).

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16. Commitments (Continued)

The Municipality is committed to completion of the Calling Lake Sewage Lagoon project. As of December 31, 2014, the Municipality has incurred \$670,680 in project-related costs (2013 – \$622,572).

The Municipality is committed to completion of the Wabasca Opportunity Child Care project. As of December 31, 2014, the Municipality has incurred \$5,357,826 in project-related costs (2013 – \$nil).

The Municipality is committed to completion of the 2401 Mamowintowin Drive project. As of December 31, 2014, the Municipality has incurred \$1,287,855 in project-related costs (2013 – \$482,466).

The Municipality is committed to completion of the Eagle Point Golf Course Operations Accessories project. As of December 31, 2014, the Municipality has incurred \$1,136,859 in project-related costs (2013 – \$962,565).

The Municipality is committed to completion of the Calling Lake Swimming Pool project. As of December 31, 2014, the Municipality has incurred \$848,656 in project-related costs (2013 – \$691,888).

17. Contingencies

The municipality is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). 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.

The Municipality is involved in claims and potential claims arising in the normal course of operations as at December 31, 2014. Any settlements, awards or determination of loss will be reflected in the accounts as the matters are resolved.

18. Segmented Disclosure

The municipality provides a range of services to its taxpayers. 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.

The associated revenues and expense have been disclosed in the Consolidated Schedule of Segmented Disclosure (Schedule 6).

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19. Financial Instruments

Financial risk

The Municipality's activities are exposed to credit risk, liquidity risk, interest rate risk and financial market risk. The Municipality's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by the Municipality's management.

Credit risk

Credit risk arises from the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Municipality's receivables represent amounts receivable from property taxes, general services and utilities. The maximum credit exposure of the Municipality is represented by the fair value of taxes and grants in place of taxes receivable and trade and other receivables in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations, including commitments as they become due. Management does not believe the Municipality is exposed to significant liquidity risk.

Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on the Municipality's cash flows and financial position. The Municipality is exposed to interest rate risk arising from fluctuations in interest rates which can impact the amount and interest earned on its cash and cash equivalents. Management does not believe the Municipality is exposed to significant interest rate risk.

20. Restatement of Comparative Figures

In previous years the Municipality has accounted for its landfill closure and post closure costs by making a general \$200,000 accrual for the expected costs per year. Further analysis by the Municipality has revealed that the landfill closure liability should have been determined based on the proportionate discounted cash flows related to closure and post closure costs with respect to landfill capacity used and total available landfill capacity.

In 2012 and 2011, the Municipality sold land for which associated costs recorded in land held for resale were never expensed.

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20. Restatement of Comparative Figures (Continued)

The effects of these two restatements on the December 31, 2013 fiscal year are presented below:

	<u>As reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Consolidated Statement of Financial Position			
Land held for resale	\$ 2,103,440	\$ (1,368,928)	\$ 734,512
Landfill closure and post-closure liabilities	1,020,000	(964,091)	55,909
Net financial assets	4,272,746	(413,024)	3,859,722
Accumulated surplus	304,930,725	(404,844)	304,525,881
Consolidated Statement of Operations			
Waste management expenses	906,694	(174,852)	731,842
Consolidated Statement of Accumulated Surplus			
Accumulated Surplus, beginning of year	289,646,072	(579,689)	289,066,383
Unrestricted surplus, end of year	---	(404,844)	(404,844)
Accumulated Surplus, end of year	304,930,725	(404,844)	304,525,881

21. Comparative Figures

Certain figures have been adjusted to conform with current year presentation.

22. Budget Figures

Budget figures are included for information purposes only and are not audited.

23. Approval of Financial Statements

These financial statements were approved by management and presented to Council on April 22, 2015.