

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Financial Statements
For the Year Ended December 31, 2015

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Index to Consolidated Financial Statements

Year Ended December 31, 2015

MANAGEMENT REPORT

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Municipal District of Opportunity no. 17 (the "Municipality") are the responsibility of the Municipality's management and have been prepared in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, as described in Note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Municipality's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management. Council meets with management and the external auditor to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow Edmonton LLP, independent external auditor appointed by the Municipality. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.

Chief Administrative Officer
April 20, 2016

Manager of Finance and
Information Services
April 20, 2016

INDEPENDENT AUDITOR'S 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, 2015 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.

Auditor's 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, 2015, 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.



Edmonton, Alberta
April 20, 2016

Chartered Accountants

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Consolidated Statement of Financial Position
December 31, 2015

	2015	2014
Financial Assets		
Cash and cash equivalents	\$ 11,134,342	\$ 19,515,452
Restricted cash (Note 3)	24,353,904	309,103
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	1,238,060	1,294,310
Due from federal and provincial governments	540,064	2,031,055
Trade and other receivables	1,672,609	747,741
Land held for resale	<u>2,794,254</u>	<u>1,181,534</u>
	<u>41,733,233</u>	<u>25,079,195</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	5,699,239	7,171,930
Deposit liabilities	260,313	458,141
Deferred revenue (Note 6)	102,366	140,207
Trust liability – land sales (Note 7)	165,027	164,431
Landfill closure and post-closure liabilities (Note 8)	108,660	83,066
Long-term debt (Note 9)	<u>1,553,368</u>	<u>2,049,420</u>
	<u>7,888,973</u>	<u>10,067,195</u>
Net Financial Assets	<u>33,844,260</u>	<u>15,012,000</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	295,670,938	302,468,535
Inventory for consumption	647,440	289,583
Prepaid expenses	<u>497,798</u>	<u>489,601</u>
	<u>296,816,176</u>	<u>303,247,719</u>
Accumulated surplus (Note 12)	<u>\$ 330,660,436</u>	<u>\$ 318,259,719</u>
Commitments (Note 15)		
Contingencies (Note 16)		

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17**Consolidated Statement of Operations****For the Year Ended December 31, 2015**

	Budget 2015 (Unaudited)	2015	2014
Revenues			
Net municipal taxes (Schedule 3)	\$ 66,200,645	\$ 68,569,857	\$ 70,121,218
User fees and sales of goods	5,812,135	3,625,118	4,545,624
Government transfers for operating (Schedule 4)	706,500	860,525	680,039
Investment income	103,265	362,969	243,202
Penalties and costs on taxes	119,640	88,265	123,161
Rentals	784,745	853,903	804,606
Well drilling	450,000	13,985	422,076
Licenses, permits and fines	23,000	27,297	59,113
Other	146,700	466,304	139,341
	<u>74,346,630</u>	<u>74,868,223</u>	<u>77,138,380</u>
Expenses			
Council	2,043,035	1,537,312	1,400,259
Administration	7,512,585	6,392,777	7,680,421
Engineering	952,310	604,817	570,783
Fire protection and safety services	4,812,766	4,147,850	2,925,580
Bylaw enforcement	136,217	82,410	104,258
Roads, streets, walks, lighting	19,187,075	21,563,879	21,637,984
Airport	174,292	257,333	316,058
Water supply and distribution	7,013,840	7,877,411	7,001,503
Wastewater treatment and disposal	2,856,709	1,687,944	2,765,396
Waste management	1,231,211	802,518	698,091
Family and community support	280,978	224,587	179,951
Daycare	3,989,626	2,476,541	2,103,492
Public health and welfare	3,344,551	2,597,052	2,199,324
Land use planning, zoning and development	2,180,418	1,588,136	1,123,766
Economic development and tourism	851,085	563,547	588,813
Land, housing, and building rentals	---	---	1,689,271
Recreation and culture	14,169,115	11,845,871	10,998,723
	<u>70,735,813</u>	<u>64,249,985</u>	<u>64,554,456</u>
Excess of revenues over expenses – before other	3,610,817	10,618,238	12,583,924
Other			
Government transfers for capital (Schedule 4)	---	1,782,479	1,149,914
Excess of revenues over expenses	3,610,817	12,400,717	13,733,838
Accumulated surplus, beginning of year	<u>318,259,719</u>	<u>318,259,719</u>	<u>304,525,881</u>
Accumulated surplus, end of year	<u>\$ 321,870,536</u>	<u>\$ 330,660,436</u>	<u>\$ 318,259,719</u>

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, 2015

	Budget 2015 (Unaudited)	2015	2014
Excess of revenues over expenses	\$ 3,610,817	\$ 12,400,717	\$ 13,733,838
Acquisition of tangible capital assets	---	(8,745,574)	(16,864,726)
Amortization of tangible capital assets	14,300,000	13,856,509	14,188,861
Transfer of tangible capital assets to land held for resale	---	1,234,125	---
Write-down of tangible capital assets	---	363,727	---
Change in work in progress	---	---	189,759
Proceeds on disposition of tangible capital assets	---	274,254	---
Gain on sale of tangible capital assets	---	(185,444)	---
	<u>14,300,000</u>	<u>6,797,597</u>	<u>(2,486,106)</u>
Change in inventory for consumption	---	(357,857)	15,391
Change in prepaid expenses	---	(8,197)	(110,845)
	---	<u>(366,054)</u>	<u>(95,454)</u>
Increase in net financial assets	17,910,817	18,832,260	11,152,278
Net financial assets, beginning of year	<u>15,012,000</u>	<u>15,012,000</u>	<u>3,859,722</u>
Net financial assets, end of year	<u>\$ 32,922,817</u>	<u>\$ 33,844,260</u>	<u>\$ 15,012,000</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, 2015

	2015	2014
Operating activities		
Excess of revenues over expenses	\$ 12,400,717	\$ 13,733,838
Items not involving cash:		
Amortization of tangible capital assets	13,856,509	14,188,861
Gain on disposal of tangible capital assets	(185,444)	---
Increase in the provision for landfill closure and post closure costs	25,594	27,157
Write-down of tangible capital assets	363,727	---
Change in work in progress	---	91,406
Change in tangible capital assets	---	98,353
Financial relief to MD Housing Authority	---	1,689,271
Changes in non-cash operating balances:		
Decrease in taxes and grants in place of taxes receivable	56,250	3,113,309
Decrease in due from federal and provincial governments	1,490,991	2,082,332
(Increase) decrease in trade and other receivables	(924,868)	344,865
Increase in land held for resale	(378,595)	(447,022)
Increase in prepaid expenses	(8,197)	(110,845)
(Increase) decrease in inventory for consumption	(357,857)	15,391
Decrease in accounts payable and accrued liabilities	(1,472,691)	(1,604,696)
Decrease in deposit liabilities	(197,828)	(266,540)
(Decrease) increase in deferred revenue	(37,841)	38,831
Increase (decrease) in trust liability	596	(3,443)
	<u>24,631,063</u>	<u>32,991,068</u>
Capital activities		
Proceeds on disposition of capital assets	274,254	---
Acquisition of tangible capital assets	<u>(8,745,574)</u>	<u>(16,864,726)</u>
	<u>(8,471,320)</u>	<u>(16,864,726)</u>
Investing activities		
Increase in restricted cash	(24,044,801)	(12,604)
Advance to related party	---	(346,817)
	<u>(24,044,801)</u>	<u>(359,421)</u>
Financing activities		
Advances of long-term debt	---	2,045,650
Repayments of long-term debt	<u>(496,052)</u>	<u>(72,811)</u>
	<u>(496,052)</u>	<u>1,972,839</u>
Net change in cash and cash equivalents	(8,381,110)	17,739,760
Cash and cash equivalents, beginning of year	<u>19,515,452</u>	<u>1,775,692</u>
Cash and cash equivalents, end of year	<u>\$ 11,134,342</u>	<u>\$ 19,515,452</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, 2015

Schedule 1

	Unrestricted Surplus	Restricted Capital Reserves	Equity in Tangible Capital Assets	2015	2014
Balance, beginning of year	\$ 12,840,604	\$ 5,000,000	\$ 300,419,115	\$ 318,259,719	\$ 304,525,881
Excess of revenues over expenses	12,400,717	---	---	12,400,717	13,733,838
Amortization	13,856,509	---	(13,856,509)	---	---
Transfer to restricted capital reserves	(4,500,000)	4,500,000	---	---	---
Transfer of land held for resale	1,234,125	---	(1,234,125)	---	---
Interest earned on restricted capital reserves	(160,000)	160,000	---	---	---
Write-down of tangible capital assets	363,727	---	(363,727)	---	---
Write-off of tangible capital assets at net book value	88,810	---	(88,810)	---	---
Current year funds used for tangible capital assets	(8,745,574)	---	8,745,574	---	---
Tangible capital asset long-term debt repaid	(496,052)	---	496,052	---	---
Change in accumulated surplus	14,042,262	4,660,000	(6,301,545)	12,400,717	13,733,838
Balance, end of year	\$ 26,882,866	\$ 9,660,000	\$ 294,117,570	\$ 330,660,436	\$ 318,259,719

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, 2015

Schedule 2

Cost	Land	Work in Progress	Buildings	Engineered Structures	Machinery and Equipment	Furniture	Vehicles	2015	2014
Balance, beginning of year	\$ 1,591,687	\$ 24,833,914	\$ 82,206,327	\$ 310,472,079	\$ 14,806,030	\$ 47,967	\$ 13,144,949	\$ 447,102,953	\$ 430,891,464
Acquisition of tangible capital assets	---	4,461,806	294,084	1,044,590	933,018	---	2,012,076	8,745,574	16,850,551
Transfer of completed projects	---	(14,438,024)	915,412	12,230,808	1,291,804	---	---	---	(175,583)
Disposal of tangible capital assets	(189,179)	(148,549)	---	(1,260,125)	(1,537,225)	---	(479,589)	(3,614,667)	(463,479)
Balance, end of year	1,402,508	14,709,147	83,415,823	322,487,352	15,493,627	47,967	14,677,436	452,233,860	447,102,953
Accumulated amortization									
Balance, beginning of year	---	---	13,420,120	118,755,629	7,750,981	---	4,707,688	144,634,418	130,909,035
Annual amortization	---	---	1,768,829	9,955,046	981,804	---	1,150,830	13,856,509	14,188,862
Accumulated amortization on disposals	---	---	---	---	(1,490,340)	---	(437,665)	(1,928,005)	(463,478)
Balance, end of year	---	---	15,188,949	128,710,675	7,242,445	---	5,420,853	156,562,922	144,634,418
Net book value of tangible capital assets	\$ 1,402,508	\$ 14,709,147	\$ 68,226,874	\$ 193,776,677	\$ 8,251,182	\$ 47,967	\$ 9,256,583	\$ 295,670,938	\$ 302,468,535
2014 Net book value of tangible capital assets	\$ 1,591,687	\$ 24,833,914	\$ 68,786,208	\$ 191,716,449	\$ 7,005,048	\$ 47,967	\$ 8,437,261		

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Schedule 3

Consolidated Schedule of Net Municipal Taxes**For the Year Ended December 31, 2015**

	Budget 2015 (Unaudited)	2015	2014
Taxation			
Real property taxes	\$ 32,910,990	\$ 32,712,248	\$ 34,366,930
Linear property	44,640,880	46,356,597	45,401,396
Federal grants in place of taxes	---	---	18,721
Provincial grants in place of taxes	---	---	69,782
	<u>77,551,870</u>	<u>79,068,845</u>	<u>79,856,829</u>
Requisitions			
Alberta School Foundation Fund	10,145,148	10,092,911	9,515,061
Senior lodges	206,077	206,077	220,550
Housing	1,000,000	200,000	---
	<u>11,351,225</u>	<u>10,498,988</u>	<u>9,735,611</u>
Net municipal taxes	<u>\$ 66,200,645</u>	<u>\$ 68,569,857</u>	<u>\$ 70,121,218</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, 2015

Schedule 4

	Budget 2015 (Unaudited)	2015	2014
Transfers for operating			
Provincial government	\$ 706,500	\$ 860,525	\$ 680,039
Transfers for capital			
Provincial government	---	1,782,479	1,149,914
Total government transfers	\$ 706,500	\$ 2,643,004	\$ 1,829,953

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Schedule 5

Consolidated Schedule of Expenses by Object**For the Year Ended December 31, 2015**

	Budget 2015 (Unaudited)	2015	2014
Expenses by object			
Salaries, wages and benefits	\$ 32,674,502	\$ 29,654,571	\$ 28,262,589
Contracted and general services	13,065,971	12,912,551	12,227,603
Materials, goods, supplies and utilities	7,834,028	5,365,679	6,159,677
Provision for allowances	260,000	292,862	256,807
Transfers to local boards and agencies	2,373,660	1,975,748	3,252,709
Bank charges and short-term interest	42,462	93,207	164,767
Interest on long-term debt	185,190	98,858	41,443
Amortization of tangible capital assets	14,300,000	13,856,509	14,188,861
	<u>\$ 70,735,813</u>	<u>\$ 64,249,985</u>	<u>\$ 64,554,456</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, 2015

Schedule 6

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Development	Recreation and Culture	Other	Total
Revenues								
Net municipal taxes	\$ 68,569,857	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 68,569,857
Government transfers	---	445,055	509,360	97,878	---	1,291,207	299,504	2,643,004
User fees and sales of goods	9,159	37,841	(186,055)	2,247,415	136,653	135,454	1,244,651	3,625,118
Investment income	362,969	---	---	---	---	---	---	362,969
Other revenues	494,363	71,499	1,667	10,701	343,093	479,004	49,427	1,449,754
	<u>69,436,348</u>	<u>554,395</u>	<u>324,972</u>	<u>2,355,994</u>	<u>479,746</u>	<u>1,905,665</u>	<u>1,593,582</u>	<u>76,650,702</u>
Expenses								
Salaries, wages and benefits	3,925,553	1,735,016	8,727,126	3,649,890	1,023,360	7,653,226	2,940,400	29,654,571
Contracted and general services	2,141,097	1,932,661	3,078,471	3,008,702	392,817	520,413	1,838,389	12,912,550
Materials, goods, supplies and utilities	181,083	164,467	2,054,951	1,081,571	60,875	1,489,393	333,340	5,365,680
Transfers to local boards and agencies	1,269,749	24,000	---	85,671	271,499	201,030	123,798	1,975,747
Interest on long-term debt	95,420	---	---	3,439	---	---	---	98,859
Other expenses	146,241	240	2,428	1,519	234,148	1,010	483	386,069
	<u>7,759,143</u>	<u>3,856,384</u>	<u>13,862,976</u>	<u>7,830,792</u>	<u>1,982,699</u>	<u>9,865,072</u>	<u>5,236,410</u>	<u>50,393,476</u>
Net revenues before amortization	<u>61,677,205</u>	<u>(3,301,989)</u>	<u>(13,538,004)</u>	<u>(5,474,798)</u>	<u>(1,502,953)</u>	<u>(7,959,407)</u>	<u>(3,642,828)</u>	<u>26,257,226</u>
Amortization of tangible capital assets	<u>170,974</u>	<u>373,845</u>	<u>8,563,053</u>	<u>2,537,082</u>	<u>168,984</u>	<u>1,980,799</u>	<u>61,772</u>	<u>13,856,509</u>
Excess of revenues over expenses (expenses over revenues)	<u>\$ 61,506,231</u>	<u>\$ (3,675,834)</u>	<u>\$ (22,101,057)</u>	<u>\$ (8,011,880)</u>	<u>\$ (1,671,937)</u>	<u>\$ (9,940,206)</u>	<u>\$ (3,704,600)</u>	<u>\$ 12,400,717</u>
2014 excess of revenues over expenses (expenses over 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>

See accompanying notes to the consolidated financial statements

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

1. Significant Accounting Policies

The consolidated financial statements of 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:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, 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.

Municipal District of Opportunity No.17 Housing and Development Corporation is independent from Council and operates under provisions of the Housing Corporations Act. The relationship between the Municipality and the Corporation is that the Municipality provides funding as required through transfers of operating grants.

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 measureable based upon receipt of goods and services and/or the legal obligation to pay.

Revenue Recognition

Property tax revenue is based on market value assessments in accordance with the Municipal Government Act (MGA). Tax mill rates are established annually. Taxation revenues are recorded at the time the billings are issued. Assessments are subject to appeal. Losses on assessment appeals are recorded as adjustments to tax revenues and receivables when a written decision is received from the authorized board.

Revenues from the provision of goods or services are recognized in the period in which the goods are provided or the services rendered. Rental revenues are recognized in the period to which they relate. Investment income are recorded as revenue in the period earned.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

1. Significant Accounting Policies (Continued)

Use of estimates

The preparation of financial statements in accordance 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 revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Significant management estimates pertain to the estimated useful life of tangible capital assets and related amortization, collectability of accounts receivable and the amounts for accrued liabilities. Actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and short-term investments with original term to maturity from 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.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

1. Significant Accounting Policies (Continued)

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.

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.

Contaminated sites liabilities

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

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.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

1. Significant Accounting Policies (Continued)

Non-financial assets (Continued)

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 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.

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) Inventory for consumption

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.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17
Notes to the Consolidated Financial Statements
December 31, 2015

1. Significant Accounting Policies (Continued)

Non-financial assets (Continued)

f) Natural Resources

Natural resources that have not been purchased are not recognised as tangible capital assets in these financial statements.

2. Recent Accounting Pronouncements

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

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. This standard is applicable for fiscal years beginning on or after April 1, 2019

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, 2019

Section PS 2601 – Foreign Currency Translation

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. This section replaces PS2600 and is applicable for years beginning on or after April 1, 2019.

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, 2019.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17**Notes to the Consolidated Financial Statements**

December 31, 2015

3. Restricted Cash

	<u>2015</u>	<u>2014</u>
Restricted funds held in cash	\$ 14,528,876	\$ 140,207
Tax recovery trust held in GIC's	165,028	168,896
Restricted investments	<u>9,660,000</u>	<u>---</u>
	<u>\$ 24,353,904</u>	<u>\$ 309,103</u>

The tax recovery trust held in GIC's 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.

4. Taxes and Grants in Place of Taxes Receivable

	<u>2015</u>	<u>2014</u>
Current taxes and grants in place of taxes	\$ 988,066	\$ 1,078,634
Arrears taxes	<u>1,155,511</u>	<u>1,063,683</u>
	2,143,577	2,142,317
Less: Allowance for doubtful accounts	<u>(905,517)</u>	<u>(848,007)</u>
	<u>\$ 1,238,060</u>	<u>\$ 1,294,310</u>

5. Accounts Payable and Accrued Liabilities

The following is included in accounts payable and accrued liabilities:

	<u>2015</u>	<u>2014</u>
Vacation and overtime	\$ 656,860	\$ 653,976
Accounts payable and accrued liabilities	<u>5,042,379</u>	<u>6,517,954</u>
	<u>\$ 5,699,239</u>	<u>\$ 7,171,930</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.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

6. Deferred Revenue

	<u>2015</u>	<u>2014</u>
Deferred revenue - operating	<u>\$ 102,366</u>	<u>\$ 140,207</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.

7. Trust liability – land sales

The Municipality administers the following trust:

	<u>2015</u>	<u>2014</u>
Tax sale trust account		
Balance, beginning of year	\$ 164,431	\$ 167,874
Interest earned	596	1,021
Sale of property	---	---
10-year transfer to operating account	<u>---</u>	<u>(4,464)</u>
Balance, end of year	<u>\$ 165,027</u>	<u>\$ 164,431</u>

8. 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 2015 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 182,242 cubic metres and 110,007 metric tonnes, respectively. It is estimated that the post-closure care will be required for a period of 25 years from closure.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17**Notes to the Consolidated Financial Statements****December 31, 2015****8. Landfill Closure and Post-Closure Liabilities (Continued)**

	<u>2015</u>	<u>2014</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>(108,660)</u>	<u>(83,066)</u>
Balance of estimated closure and post-closure costs to accrue	<u>\$ 5,103,611</u>	<u>\$ 5,129,205</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.

9. Long-term Debt

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

	<u>2015</u>	<u>2014</u>
Tax supported debenture, payable to Alberta Capital Finance Authority, bearing interest at 8.625% per annum, fully repaid.	\$ ---	\$ 39,873
Developer agreement & levy payable to Alberta Capital Finance Authority, bearing interest at 3.406% per annum, maturing March 17, 2034	<u>1,553,368</u>	<u>2,009,547</u>
	<u>\$ 1,553,368</u>	<u>\$ 2,049,420</u>

Principal payments relating to net long-term debt of \$1,553,368 outstanding are due as follows:

2016	\$ 76,605
2017	79,236
2018	81,958
2019	84,773
2020	87,685
Thereafter	<u>1,143,111</u>
	<u>\$ 1,553,368</u>

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17**Notes to the Consolidated Financial Statements**

December 31, 2015

10. 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>2015</u>	<u>2014</u>
Total debt limit	\$ 112,302,333	\$ 115,707,570
Total debt	<u>(1,553,368)</u>	<u>(2,049,420)</u>
Amount of debt limit unused	<u>\$ 110,748,965</u>	<u>\$ 113,658,150</u>
Debt servicing limit	\$ 18,717,056	\$ 19,284,595
Debt servicing	<u>(111,351)</u>	<u>(114,252)</u>
Amount of debt servicing limited unused	<u>\$ 18,605,705</u>	<u>\$ 19,170,343</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.

11. Equity in Tangible Capital Assets

	<u>2015</u>	<u>2014</u>
Tangible capital assets (Schedule 2)	\$ 452,233,859	\$ 447,102,953
Accumulated amortization (Schedule 2)	<u>(156,562,922)</u>	<u>(144,634,419)</u>
Long-term debt (Note 9)	<u>(1,553,368)</u>	<u>(2,049,420)</u>
	<u>\$ 294,117,569</u>	<u>\$ 300,419,114</u>

12. Accumulated Surplus

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

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	\$ 26,882,866	\$ 12,840,604
Restricted surplus:		
Water Treatment Plant	9,660,000	5,000,000
Tangible capital assets		---
Equity in tangible capital assets	<u>294,117,569</u>	<u>300,419,115</u>
	<u>\$ 330,660,435</u>	<u>\$ 318,259,719</u>

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

13. 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:

	Salary	Benefits and Allowances	2015 Total	2014 Total
Paul Sinclair (Reeve)	\$ 91,000	\$ 6,297	\$ 97,297	\$ 92,587
Marcel D. Auger (Deputy Reeve)	91,000	8,488	99,488	94,011
Leo Alook	91,000	7,288	98,288	90,056
Dollie Anderson	91,000	6,858	97,858	90,054
Thomas Auger	---	---	---	120
Dwayne Calliou	91,000	8,488	99,488	91,977
Clarence Cardinal	90,800	5,738	96,538	89,830
Everett Gottfried	91,000	9,382	100,382	92,696
Gerald Johnson	91,000	7,564	98,564	92,429
Louie Okenow	91,000	8,182	99,182	92,386
Hal Taron	91,000	9,382	100,382	93,247
Roy Yellowknee	91,000	9,382	100,382	92,832
Helen Alook (CEO)	189,090	37,702	226,792	204,504
	<u>\$ 1,189,890</u>	<u>\$ 124,751</u>	<u>\$ 1,314,641</u>	<u>\$ 1,216,729</u>

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

- 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
- 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.

14. 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.

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

14. Local Authorities Pension Plan (Continued)

The municipality is required to make current service contributions to the LAPP of 11.39% (2014 – 11.39%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% (2014 – 15.84%) on pensionable earnings above this amount. Employees of the municipality are required to make current service contributions of 10.39% (2014 – 10.39%) of pensionable salary up to the year's maximum pensionable salary and 14.84% (2014 – 14.84%) on pensionable salary above this amount.

Total current service contributions by the municipality to the LAPP in 2015 were \$2,207,287 (2014 - \$1,994,678). Total current service contributions by the employees of the municipality in 2015 were \$2,031,420 (2014 - \$1,835,736).

15. Commitments

The Municipality is committed to completion of the Wabasca Downtown Subdivision Grading and Paving project. As of December 31, 2015, the Municipality has incurred \$1,704,843 in project-related costs (2014 – \$1,669,396).

The Municipality is committed to completion of the Red Earth Industrial Drive North – Rebuild project. As of December 31, 2015, the Municipality has incurred \$93,239 in project-related costs (2014 – \$Nil).

The Municipality is committed to completion of the Wabasca Downtown W & S Southeast project. As of December 31, 2015, the Municipality has incurred \$2,900,982 in project-related costs (2014 – \$2,900,760).

The Municipality is committed to completion of the Sandy Lake Phase 1 Servicing project. As of December 31, 2015, the Municipality has incurred \$5,039,881 in project-related costs (2014 – \$4,986,791).

The Municipality is committed to completion of the Sandy Lake Phase 1 Servicing project. As of December 31, 2015, the Municipality has incurred \$485,559 in project-related costs (2014 – \$396,848).

The Municipality is committed to completion of the Wabasca Opportunity Drive Lift Station project. As of December 31, 2015, the Municipality has incurred \$2,142,960 in project-related costs (2014 – \$1,892,745).

The Municipality is committed to completion of the Wabasca New Main Lift Station project. As of December 31, 2015, the Municipality has incurred \$246,656 in project-related costs (2014 – \$191,966).

The Municipality is committed to completion of the Calling Lake Sewage Lagoon project. As of December 31, 2015, the Municipality has incurred \$516,097 in project-related costs (2014 – \$670,680).

The Municipality is committed to completion of the Wabasca Opportunity Child Care project. As of December 31, 2015, the Municipality has incurred \$6,403,043 in project-related costs (2014 – \$5,357,826).

MUNICIPAL DISTRICT OF OPPORTUNITY NO. 17

Notes to the Consolidated Financial Statements

December 31, 2015

15. Commitments (Continued)

The Municipality is committed to completion of the Wabasca Rodeo Cultural Grounds project. As of December 31, 2015, the Municipality has incurred \$986,068 in project-related costs (2014 – \$Nil).

16. 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.

The Municipality is involved in claims and potential claims arising in the normal course of operations as at December 31, 2015. The outcome of any claims cannot be determined until they are completed. Any settlements, awards or determination of loss will be reflected in the accounts as the matters are resolved.

17. 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).

18. Comparative Figures

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

19. Budget Figures

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

20. Approval of Financial Statements

These financial statements were approved by management and presented to Council on April 20, 2016.