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INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of MD of Opportunity No. 17

Opinion

We have audited the consolidated financial statements of MD of Opportunity No. 17 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of changes in financial net assets, operations and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 9, 2018.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality's financial reporting process.

(continues)

Independent Auditor's Report to the Reeve and Council of MD of Opportunity No. 17 (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Vegreville, AB
April 25, 2019


Chartered Professional Accountants

MD OF OPPORTUNITY NO. 17
Consolidated Statement of Financial Position
As at December 31, 2018

	2018 \$	2017 \$(Restated)
Financial Assets		
Cash and temporary investments (Note 4)	63,661,949	67,324,700
Short term investments (Note 5)	506,066	-
Taxes and grants in place of taxes receivable (Note 6)	1,776,442	2,915,327
Due from federal and provincial governments	8,330,808	3,627,759
Trade and other receivables	1,967,938	1,674,812
Loans receivable (Note 7)	967,384	1,073,402
Land held for resale	2,566,249	2,298,281
	79,776,836	78,914,281
Liabilities		
Accounts payable and accrued liabilities (Note 8)	7,703,280	6,189,121
Deposit liabilities	216,034	241,658
Deferred revenue (Note 9)	3,124,718	314,114
Deferred revenues related to housing units	1,895,500	2,128,000
Long term debt (Note 10)	25,657,008	26,414,345
Capital lease obligations (Note 11)	2,088,723	-
	40,685,263	35,287,238
Net Financial Assets	39,091,573	43,627,043
Non-Financial Assets		
Tangible capital assets (Schedule 2)	313,787,290	304,203,101
Inventory for consumption	734,427	1,397,007
Prepaid expenses	407,964	440,218
	314,929,681	306,040,326
Accumulated Surplus (Schedule 1, Note 15)	354,021,254	349,667,369
<i>Contingencies (Note 16)</i>		
<i>Commitments (Note 17)</i>		

MD OF OPPORTUNITY NO. 17
Consolidated Statement of Operations
Year Ended December 31, 2018

	Budget \$ (Unaudited)	2018 \$	2017 \$ (Restated)
Revenue			
Net municipal taxes (<i>Schedule 3</i>)	54,293,875	53,141,630	53,839,439
User fees and sales of goods	4,127,236	3,982,751	3,733,123
Government transfers for operating (<i>Schedule 4</i>)	1,386,352	3,171,821	1,604,751
Rental	1,384,725	1,203,034	1,001,555
Investment income	538,900	1,568,885	542,747
Penalties and costs on taxes	-	96,227	213,081
Gain (loss) on disposal of tangible capital assets	-	(254,154)	137,911
Well drilling	-	132,369	157,888
Licenses, permits and fines	-	42,263	116,592
Other	75,000	286,516	494,478
Total revenue	61,806,088	63,371,342	61,841,565
Expenses			
Council	1,494,845	1,538,738	1,430,684
Administration	6,587,586	9,879,839	8,224,944
Engineering	592,272	487,612	575,253
Fire protection and safety services	4,696,464	5,586,569	5,536,609
Roads, streets, walks, lighting	19,684,558	19,602,784	21,276,152
Airport	102,935	91,124	66,459
Water supply and distribution	8,288,680	7,000,162	6,974,424
Wastewater treatment and disposal	2,264,115	2,789,048	2,206,379
Waste management	658,965	1,219,167	809,027
Family and community support	171,416	132,223	155,670
Daycare and out of school care	3,529,386	3,309,922	3,131,196
Public health and welfare	2,750,831	2,827,672	2,548,944
Economic development and tourism	844,156	724,911	627,627
Recreation and culture	13,514,563	12,542,541	11,116,241
Housing operations	1,677,040	2,292,470	1,239,852
Total expenses	66,857,812	70,024,782	65,919,461
Deficiency of revenue over expenses - before other	(5,051,724)	(6,653,440)	(4,077,896)
Other			
Municipal requisition	4,392	-	-
Government transfers for capital (<i>Schedule 4</i>)	9,148,752	11,007,325	8,980,061
Excess of revenues over expenses	4,101,420	4,353,885	4,902,165
Accumulated surplus - beginning of the year	349,667,369	349,667,369	344,765,204
Accumulated surplus - end of the year	353,768,789	354,021,254	349,667,369

MD OF OPPORTUNITY NO. 17**Consolidated Statement of Change in Net Financial Assets****Year Ended December 31, 2018**

	Budget \$ (Unaudited)	2018 \$	2017 \$ (Restated)
Excess of revenues over expenses	4,101,420	4,353,885	4,902,165
Acquisition of tangible capital assets	(20,714,216)	(23,069,199)	(18,503,800)
Acquisition of capital leased assets	-	(2,927,014)	-
Recognition of deferred revenues related to housing unit	-	(232,500)	-
Proceeds on disposal of tangible capital assets	-	140,500	352,887
Amortization of tangible capital assets	14,600,000	15,168,419	14,551,382
Adjustment on capital leases	-	1,081,451	(930,924)
(Gain)/loss on sale of tangible capital assets	-	254,154	(137,911)
	(6,114,216)	(9,584,189)	(4,668,366)
Use of supplies inventories	-	662,580	15,408
Use of prepaid assets	-	32,254	337,759
	-	694,834	353,167
Decrease (increase) in net debt	(2,012,796)	(4,535,470)	586,966
Net Financial Assets, beginning of year	43,627,043	43,627,043	43,040,077
Net Financial Assets, end of year	41,614,247	39,091,573	43,627,043

MD OF OPPORTUNITY NO. 17
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018 \$	2017 \$(Restated)
Operating		
Excess of revenue over expenses	4,353,885	4,902,165
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	15,168,419	14,551,374
Bad debt expense	-	209,409
Loss (gain) on disposal of tangible capital assets	254,154	(137,911)
Net changes in non-cash charges to operations		
Increase in taxes and grants in lieu receivable	1,138,885	163,205
Increase in government receivables	(4,703,049)	(2,300,093)
Increase in trade and other receivables	(293,126)	(599,606)
Decrease in loan other receivables	106,018	209,409
Decrease/(increase) in land held for resale	(267,968)	59,127
Decrease in prepaid expenses	32,254	337,767
Decrease in inventory for consumption	662,580	15,408
Decrease in accounts payable and accrued liabilities	2,363,110	559,869
Decrease in deposit liabilities	(25,624)	(13,771)
Decrease in deferred revenues related to housing units	(232,500)	(232,500)
Increase in deferred revenues	2,810,604	2,112,379
<i>Net cash provided by operating transactions</i>	21,367,642	19,836,231
Capital		
Acquisition of tangible capital assets	(23,069,199)	(18,503,800)
Proceeds on disposal of tangible capital assets	140,500	352,887
<i>Net cash used in capital transactions</i>	(22,928,699)	(18,150,913)
Investing		
Purchase of short term investments	(506,066)	-
Decrease (increase) in restricted cash or cash equivalents	(2,810,604)	(2,256,504)
<i>Net cash provided by (used in) investing transactions</i>	(3,316,670)	(2,256,504)
Financing		
Long term debt issued	-	25,000,000
Capital lease obligations repaid	(838,291)	-
Long term debt repaid	(757,337)	(71,276)
<i>Net cash used in financing transactions</i>	(1,595,628)	24,928,724
Change in cash and cash equivalents during the year	(6,473,355)	24,357,538
Cash and cash equivalents, beginning of year	67,010,586	42,653,048
Cash and cash equivalents, end of year	60,537,231	67,010,586
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	63,661,949	67,324,700
Less: restricted portion of cash and temporary investments (Note 4)	(3,124,718)	(314,114)
	60,537,231	67,010,586
Cash flows supplementary information:		
Interest paid	789,482	49,149
Interest received	1,568,885	542,747

MD OF OPPORTUNITY NO. 17

**Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2018**

(Schedule 1)

	Unrestricted Surplus	Restricted Capital reserves	Equity in Capital Assets	2018 \$	2017 \$ (Restated)
Balance, beginning of year	37,304,296	36,702,325	275,660,748	349,667,369	344,765,204
Annual surplus	4,353,885			4,353,885	4,902,165
Amortization of tangible capital assets	15,168,419		(15,168,419)	-	-
Adjustment on capital leases	1,081,443		(1,081,443)	-	-
Disposal of tangible capital assets	162,154		(162,154)	-	-
Transfer to capital reserves	(22,446,000)	22,446,000			
Current year funds used for tangible capital assets	(14,329,553)	(11,666,660)	25,996,213	-	-
Capital lease obligations advanced	2,927,014		(2,927,014)	-	-
Recognition of deferred revenues related to housing units	(232,500)		232,500	-	-
Capital lease obligations repaid	(838,291)		838,291	-	-
Long term debt repaid	(757,337)	-	757,337	-	-
Change in accumulated surplus	(14,910,766)	10,779,340	8,485,311	4,353,885	4,902,165
Balance, end of year	22,393,530	47,481,665	284,146,059	354,021,254	349,667,369

MD OF OPPORTUNITY NO. 17
Schedule of Tangible Capital Assets
Year Ended December 31, 2018

	Land	Work in Progress	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Leases and Improvements	2018 \$	2017 \$ (Restated)
Cost									
Balance, beginning of year	2,559,065	21,450,205	95,301,249	332,746,355	20,069,680	15,925,672	-	488,052,226	471,504,085
Acquisition of tangible capital assets	414,432	20,428,807	6,422,029	11,956,854	1,406,425	1,014,138	1,334,227	42,976,912	18,503,800
Acquisition of capital leased assets	-	-	-	-	2,927,014	-	-	2,927,014	-
Transfer of completed projects	-	(19,907,713)	-	-	-	-	-	(19,907,713)	-
Disposal of tangible capital assets	-	-	-	-	(644,000)	(47,649)	-	(691,649)	(1,955,659)
Balance, end of year	2,973,497	21,971,299	101,723,278	344,703,209	23,759,119	16,892,161	1,334,227	513,356,790	488,052,226
Accumulated amortization									
Balance, beginning of year	-	-	19,532,190	148,121,682	9,135,203	7,060,050	-	183,849,125	171,038,434
Annual amortization	-	-	1,948,224	9,983,892	1,536,655	1,667,960	31,688	15,168,419	14,551,374
Adjustment on capital leases	-	-	-	-	1,081,451	-	-	1,081,451	-
Accumulated amortization on disposals	-	-	-	-	(515,200)	(14,295)	-	(529,495)	(1,740,683)
Balance, end of year	-	-	21,480,414	158,105,574	11,238,109	8,713,715	31,688	199,569,500	183,849,125
2018 net book value of tangible capital assets	2,973,497	21,971,299	80,242,864	186,597,635	12,521,010	8,178,446	1,302,539	313,787,290	304,203,101
2017 net book value of tangible capital assets	2,559,066	21,450,204	75,769,059	184,624,665	10,934,477	8,865,630	-	304,203,101	304,203,101

MD OF OPPORTUNITY NO. 17
Schedule of Property and Other Taxes
Year Ended December 31, 2018

(Schedule 3)

	Budget	2018	2017
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	64,551,875	17,547,636	26,904,640
Linear property	-	44,382,243	36,774,269
Government grants in place of property taxes	-	126,863	-
	64,551,875	62,056,742	63,678,909
Requisitions			
Alberta School Foundation Fund	10,050,000	8,627,289	9,659,627
Designated Industrial Property	-	84,253	-
Seniors Lodge	208,000	203,570	179,843
	10,258,000	8,915,112	9,839,470
Net Municipal Taxes	54,293,875	53,141,630	53,839,439

MD OF OPPORTUNITY NO. 17
Schedule of Government Transfers
Year Ended December 31, 2018

(Schedule 4)

	Budget \$ (Unaudited)	2018 \$	2017 \$ (Restated)
Transfers for operating			
Provincial Government	1,386,352	3,171,821	1,604,751
	1,386,352	3,171,821	1,604,751
Transfers for capital			
Provincial Government	9,148,752	9,431,394	8,980,061
Federal Government	-	1,575,931	-
	9,148,752	11,007,325	8,980,061
Total Government Transfers	10,535,104	14,179,146	10,584,812

MD OF OPPORTUNITY NO. 17**(Schedule 5)****Schedule of Consolidated Expenses by Object****Year Ended December 31, 2018**

	Budget \$ (Unaudited)	2018 \$	2017 \$ (Restated)
Consolidated expenses by object			
Salaries, wages and benefits	30,707,279	29,429,673	30,041,776
Contracted and general services	11,124,549	12,191,102	12,464,277
Materials, goods, supplies and utilities	5,492,575	8,061,725	5,380,831
Provision for allowances	-	2,728,809	1,860,586
Transfers to individuals and organizations	4,102,777	1,476,775	1,527,452
Bank charges and short term interest	34,850	130,417	44,008
Interest on long term debt	795,782	837,862	49,149
Amortization of tangible capital assets	14,600,000	15,168,419	14,551,382
	66,857,812	70,024,782	65,919,461

MD OF OPPORTUNITY NO. 17
Schedule of Segmented Disclosure
Year Ended December 31, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Public Health	Recreation & Culture	Public Housing	Total \$
Revenue									
Net municipal taxes	53,141,630	-	-	-	-	-	-	-	53,141,630
Provincial Grazing lease	138,259	-	-	-	-	-	-	-	138,259
Sale of goods and services	4,378	83,893	115,068	2,293,728	4,239	1,416,707	64,738	-	3,982,751
Penalties/costs	96,227	-	-	-	-	-	-	-	96,227
Licenses and permits	-	42,263	-	-	-	-	-	-	42,263
Return on investment	1,556,353	-	-	-	-	-	-	-	1,556,885
Rental revenues	1,305	293,792	-	-	-	50,904	382,412	12,532	1,203,034
Gain (loss) on disposal of assets	(254,154)	-	-	-	-	-	-	-	(254,154)
Government Transfers	3,129,757	2,367,140	524,338	7,432,589	-	406,251	1,000	318,071	14,179,146
Other revenues	231,824	37,087	-	-	-	-	8,895	2,820	280,626
	58,045,579	2,824,175	639,406	9,726,317	4,239	1,873,862	457,045	808,044	74,378,667
Expenses									
Salaries, wages and benefits	5,002,938	2,271,718	6,060,765	3,761,291	688,572	3,679,923	7,520,002	444,464	29,429,673
Contracted and general services	2,673,119	2,594,685	1,551,611	2,169,829	272,424	2,024,089	822,659	82,686	12,191,102
Materials, goods, supplies and utilities	225,162	207,197	3,419,772	2,047,156	52,741	363,271	1,449,479	296,947	8,061,725
Transfers to individuals and organizations	475,280	7,081	103,722	183,020	23,034	72,600	269,319	342,719	1,476,775
Bank charges and interest	32,551	351	86,547	3,864	-	808	2,171	4,125	130,417
Interest on long term debt	92,080	-	-	-	-	-	-	745,782	837,862
Provision for bad debts	2,734,776	-	-	-	2,594	-	-	(8,561)	2,728,809
	11,235,906	5,081,032	11,222,417	8,165,160	1,039,365	6,140,691	10,063,630	1,908,162	54,856,363
Net revenue (expense) before amortization	46,809,673	(2,256,857)	(10,583,011)	1,561,157	(1,035,126)	(4,266,829)	(9,606,585)	(1,100,118)	19,522,304
Amortization of tangible capital assets	182,672	505,537	8,471,491	2,843,217	173,158	129,126	2,478,910	384,308	15,168,419
2018 net revenue (expense)	46,627,001	(2,762,394)	(19,054,502)	(1,282,060)	(1,208,284)	(4,395,955)	(12,085,495)	(1,484,426)	4,353,885
2017 net revenue (expense) (Restated)	47,824,851	(3,534,572)	(21,802,703)	(1,310,164)	(1,142,573)	(3,987,319)	(10,650,126)	(495,229)	4,902,165

MD OF OPPORTUNITY NO. 17
Statement of Operations - MD of Opportunity No. 17
Year Ended December 31, 2018

(Schedule 7)

	Budget \$ (Unaudited)	2018 \$	2017 \$ (Restated)
Revenue			
Net municipal taxes	53,693,875	52,598,084	51,905,183
User fees and sales of goods	4,127,236	3,996,051	3,747,597
Government transfers for operating	1,386,352	3,086,250	1,519,180
Rental	810,270	731,413	491,334
Investment income	534,400	1,556,353	537,202
Penalties and costs on taxes	-	96,227	213,081
Gain (loss) on disposal of tangible capital assets	-	(254,154)	164,822
Well drilling	-	138,259	157,888
Licenses, permits and fines	-	42,263	116,592
Other	75,000	277,806	490,323
Total revenue	60,627,133	62,268,552	59,343,202
Expenses			
Council	1,494,845	1,538,738	1,430,684
Administration	10,509,741	9,879,839	8,224,944
Engineering	592,272	487,612	575,253
Fire protection and safety services	4,696,464	5,586,569	5,536,609
Roads, streets, walks, lighting	19,684,558	19,602,784	21,276,152
Airport	102,935	91,124	66,459
Water supply and distribution	8,288,680	7,000,162	6,974,424
Wastewater treatment and disposal	2,264,115	2,789,048	2,206,379
Waste management	658,965	1,219,167	809,027
Family and community support	171,416	132,223	155,670
Daycare and out of school care	3,529,386	3,309,922	3,131,196
Public health and welfare	2,750,831	2,827,672	2,548,944
Economic development and tourism	844,156	724,911	627,627
Recreation and culture	9,592,408	12,542,541	11,116,239
Housing operations	795,782	1,161,544	-
Total expenses	65,976,554	68,893,856	64,679,607
Deficiency of revenue over expenses - before other	(5,349,421)	(6,625,304)	(5,336,405)
Other			
Government transfers for capital	8,916,252	10,774,825	8,747,561
Excess of revenues over expenses	3,566,831	4,149,521	3,411,156
Accumulated surplus - beginning of the year	342,035,352	342,035,352	338,624,196
Accumulated surplus - end of the year	345,602,183	346,184,873	342,035,352

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies

Basis of presentation

The consolidated financial statements of the municipality are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. 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 balances 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, therefore, accountable to Council for the administration of their financial affairs and resources. Included with the Municipality are the following:

Wabasca/Desmarais Housing Authority

MD of Opportunity No. 17 Housing and Development Corporation

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 or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

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MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies *(continued)*

Use of estimates

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Significant estimates include:

- Amortization of tangible capital assets
- Estimated useful life of tangible capital assets
- Allowance for doubtful accounts

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills 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.

Loans receivable

Loans receivable are recorded at book value. Loans that are more than six months in arrears, without legal action, are classified as non-performing. Allowance for doubtful accounts has been provided and there has been a write-down of loans receivable to their net realizable value in the account.

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 unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(continues)

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies *(continued)*

Requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

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

Inventories for resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and 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 the respective function.

Tax revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Landfill closure and post-closure liability

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

Government transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(continues)

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. Significant accounting policies *(continued)*

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (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:

	YEARS
Buildings	25-50
Engineered structures	
Water system	45-75
Wastewater system	45-75
Other engineered structures	10-65
Machinery and equipment	10-40
Vehicles	10-40

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 net realizable value.

e) Cultural and historical tangible capital assets

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

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC). These Sections are effective for fiscal periods beginning on or after April 1, 2017 and have been applied retrospectively.

Section PS 2200 - Related Party Disclosures

This new Section defines a related party and establishes disclosures required for related party transactions.

Section PS 3210 - Assets

This new Section provides guidance for applying the definition of assets set out in Financial Statement Concepts, Section PS 1000, and establishes general disclosure standards for assets.

Section PS 3320 - Contingent Assets

This new Section defines and establishes disclosure standards on contingent assets.

Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights.

Section PS 3420 - Inter-entity Transactions

This new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

3. Recent accounting pronouncements published but not yet adopted

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC) 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 standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new Section, Section PS1201, Section PS 2601 and Section 3041 have been amended as a consequence of the introduction of new financial instruments standards. These amendments were required to present the associated gains and losses with financial instruments recognized under the new Section. The new Section and the related amendments are effective for fiscal periods beginning on or after April 1, 2021.

Section PS 3280 - Asset Retirement Obligations

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted. As a consequence of the issuance of Section PS3280, Solid Waste Landfill Closure and Post-Closure Liability, Section PS3270, has been withdrawn. Section PS3270 will remain in effect until the adoption of Section PS3280.

Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This Section applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018. Earlier adoption is permitted.

Section 3400 - Revenue

This new Section establishes standards on how to account for and report on revenue. Specifically, it differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. This Section applies to fiscal years beginning on or after April 1, 2022.

4. Cash and temporary investments

	2018	2017
Cash	\$ 20,409,646	\$ 7,496,237
Temporary investments	43,252,303	59,828,463
	\$ 63,661,949	\$ 67,324,700

Temporary investments are short term deposits with original maturities of three months or less.

Council has designated funds of \$25,035,665 (2017 - \$36,702,325) included in the above amounts for equipment replacement.

Included in cash and temporary investments is a restricted amount of \$3,124,718 (2017 – \$314,114) comprised of deferred revenue not expended (Note 9).

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

5. Short term investments

	2018	2017
Guaranteed investment certificate	\$ 506,066	\$ -

Short term investments consist of a one year guaranteed investment certificate that bears interest at 2.05% and matures May 2019.

6. Taxes and grants in place of taxes receivable

	2018	2017
Current taxes and grants in place of taxes	\$ 2,762,749	\$ 2,656,676
Arrears taxes	4,363,850	2,883,935
	7,126,599	5,540,611
Less: allowance for doubtful accounts	(5,350,157)	(2,625,284)
	\$ 1,776,442	\$ 2,915,327

7. Loans receivable

	2018	2017
Mortgage loan agreements bearing interest at 0% per annum, repayable in monthly payments of \$1,400. The loans mature between 2025 and 2028 and are secured by claims against the housing units sold.	\$ 2,122,047	\$ 2,228,565
Loan receivable bearing interest at 0% per annum, repayable in monthly payments of \$500 per month, maturing in 2022 and secured by a claim against the housing unit owned by the borrower.	36,604	38,104
	2,158,651	2,266,669
	\$ 967,384	\$ 1,075,402

8. Accounts payable and accrued liabilities

	2018	2017
Trade accounts payable and accrued liabilities	\$ 7,312,856	\$ 5,785,272
Vacation and overtime accruals	351,364	368,768
Government payables	39,060	35,081
	\$ 7,703,280	\$ 6,189,121

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

9. Deferred revenue

	2018	2017
Grazing lease	\$ 130,776	\$ 141,057
Deposit liabilities and prepaid rent	4,716	7,265
Alberta Municipal Water/Wastewater Partnership	2,853,778	-
Tax sale surplus	135,448	165,792
	\$ 3,124,718	\$ 314,114

Grants

Funding in the amount of \$6,251,193 was received in the current year from Alberta Municipal Water/Wastewater Partnership. The use of these funds is restricted to the Sandy Lake Water Treatment Plant project as approved under the funding agreement. Unexpended funds related to these advances are supported by cash and temporary investments of \$2,853,778 held exclusively for this projects (Note 4).

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

10. Long-term debt

	2018	2017
Long term care facility debenture	\$ 24,316,645	\$ 25,000,000
Developer agreement debenture	1,331,960	1,396,262
Ford Credit finance contract	8,403	18,083
	\$ 25,657,008	\$ 26,414,345

The current portion of the long-term debt amounts to \$778,947 (2017 - \$757,337)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2019	\$ 778,947	\$ 770,185	\$ 1,549,132
2020	794,123	746,319	1,540,442
2021	818,445	722,007	1,540,452
2022	842,701	696,950	1,539,651
2023	869,329	670,224	1,539,553
Thereafter	21,553,463	6,770,660	28,324,123
	\$ 25,657,008	\$ 10,376,345	\$ 36,033,353

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 3.004% to 3.406% per annum and matures in periods 2034 through 2043. The average annual interest rate is 3.205% for 2018 (3.205% for 2017).

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

Ford Credit Canada finance contract is repayable in monthly instalments of \$868 including principal and interest at 5.69% due October 7, 2019.

Interest on long-term debt amounted to \$837,862 (2017 - \$49,149).

The municipality's total cash payments for interest in 2018 were \$789,482 (2017 - \$49,149).

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

11. Obligations under capital lease

	2018	2017
Canadian Western Bank capital lease	\$ 28,607	\$ -
Caterpillar Financial capital lease	197,037	-
Caterpillar Financial capital lease	77,417	-
Caterpillar Financial capital lease	180,896	-
Caterpillar Financial capital lease	537,374	-
Caterpillar Financial capital lease	537,374	-
Caterpillar Financial capital lease	458,366	-
Caterpillar Financial capital lease	35,826	-
Caterpillar Financial capital lease	35,826	-
	\$ 2,088,723	\$ -

Future minimum capital lease payments are approximately:

2019	\$ 612,330
2020	485,851
2021	417,414
2022	331,816
2023	519,509
Total minimum lease payments	2,366,920
Less: amount representing interest at various rates	278,197
	\$ 2,088,723

Capital lease obligations bear interest at rates ranging from 4.45% to 6.7% per annum and mature in periods 2019 through 2023. The average annual rate is 5.033% for 2018. The capital lease obligations are secured by machinery and equipment with a combined carrying value of \$3,353,453.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

12. Debt limits

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

	2018	2017
Total debt limit	\$ 90,969,144	\$ 92,762,348
Total debt	25,648,605	23,396,262
Amount of debt limit unused	\$ 65,320,539	\$ 69,366,086
Debt servicing limit	\$ 15,161,524	\$ 15,460,391
Debt servicing	1,549,132	1,540,443
Amount of debt servicing limit unused	\$ 13,612,392	\$ 13,919,948

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) 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.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

13. Landfill closure and post-closure liability

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

The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities for 25 years after closure using a discount rate of 6% and assuming annual inflation of 2.31%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 232,999 tonnes. The estimated remaining capacity of the landfill site is 197,585 tonnes (2017 – 207,897 tonnes). The existing landfill site is expected to reach capacity in approximately the year 2034.

The municipality has not designated assets for settling closure and post-closure liabilities.

	2018	2017
Estimated closure costs	\$ 1,274,670	\$ 1,274,670
Estimated post-closure costs	2,700,000	3,937,601
Subtotal	3,974,670	5,212,271
Liability accrued	(656,092)	(172,757)
Estimated total liability	\$ 3,318,578	\$ 5,039,514

14. Equity in tangible capital assets

	2018	2017
Tangible capital assets (Schedule 2)	\$513,356,790	\$488,052,226
Less: Accumulated amortization (Schedule 2)	199,569,500	183,849,133
Less: Long-term debt (Note 9)	25,657,008	26,414,345
Less: Capital lease obligations (Note 10)	2,088,723	-
Less: Deferred contributions related to housing units	1,895,500	2,128,000
	\$284,146,059	\$275,660,748

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

15. Accumulated surplus

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

	2018	2017
Unrestricted surplus (deficit)	\$ 22,390,530	\$ 37,304,296
Restricted surplus		
General capital	22,446,000	3,923,455
Parks	-	26,103
Long term care facility	14,621,071	22,338,173
Water	10,414,594	10,414,594
Equity in tangible capital assets	284,146,059	275,660,748
	\$354,018,254	\$349,667,369

16. Contingencies

The municipality is a member of the Genesis Reciprocal Insurance Exchange (GRIE). Under the terms of membership, the municipality could become liable for its proportionate share of any claim losses claimed 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.

Optrics Inc. filed a Statement of Claim on October 17, 2017, seeking damages of \$1,634,032.46 plus interest and costs. The Municipality has filed a Statement of Defence and Notice to Co-Defendants on December 15, 2017. An amended Statement of Defence was filed on December 6, 2018, on behalf of TekTeam Consulting Inc. and Mihai Lupescu. Further information will be required to properly address the full extent of the claim against the Municipality. Legal counsel is of the opinion that the Municipality should not be found liable for breach of contract or unpaid services.

17. Commitments

The municipality is committed to completion of the Wabasca Long Term Care Health Care Facility project. As of December 31, 2018, the municipality has incurred \$7,717,102 in project-related costs (2017 - \$36,800). The balance of costs committed to complete the project stands at \$14,621,071.

The municipality is committed to completion of the All Regional Water SCADA project. As of December 31, 2018, the municipality has incurred \$1,294,471 in project-related costs (2017 - \$103,992). The balance of costs committed to complete the project stands at \$200,000.

The municipality is committed to completion of the Sandy Lake Water Treatment Plant project. As of December 31, 2018, the municipality has incurred \$4,169,659 in project-related costs (2017 - \$794,953). The balance of costs committed to complete the project stands at \$200,000.

The municipality is committed to equipment upgrade purchases. As of December 31, 2018, the municipality has incurred \$1,395,077 in equipment upgrade purchases (2017 - \$nil). The balance of costs committed to complete the project stands at \$1,216,738.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

18. Segmented disclosure

The municipality provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

19. Salary 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:

			2018		2017	
	Salary	(1)	Benefits & allowances (2)	Total	Total	
Councillors:	\$	-	\$	-	\$	-
Marcel D. Auger (Reeve)	92,458		7,790	100,248		131,195
Everett Gottfried (Deputy Reeve)	91,625		7,790	99,415		118,131
Leo Alook	91,000		6,590	97,590		138,181
Kevin Bigstone	91,000		7,790	98,790		26,423
Louis Cardinal	91,000		2,990	93,990		25,560
Victor Gladue	91,000		1,300	92,300		25,764
Robin Guild	91,000		5,579	96,579		21,393
Darlene Davis-Jackson	91,000		5,390	96,390		22,153
Brendan Powell	91,000		7,790	98,790		28,561
Barry Schmidt	91,000		5,390	96,390		28,148
Roy Yellowknee	91,000		7,790	98,790		135,356
Paul Sinclair	-		-	-		94,811
Dollie Anderson	-		-	-		114,537
Dwayne Calliou	-		-	-		112,231
Clarence Cardinal	-		-	-		103,483
Gerald Johnson	-		-	-		89,936
Louie Okemow	-		-	-		111,817
Hal Taron	-		-	-		103,004
William Kostiw (CAO)	139,425		-	139,425		-
Helen Alook (previous CAO)	182,155		14,181	196,336		216,095
	\$ 1,324,663	\$	80,370	\$ 1,405,033	\$	1,646,779

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short term disability plans.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, car and travel allowances, conferences and memberships.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

20. 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 Public Sector Pension Plans Act. 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% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2018 were \$2,043,173 (2017 - \$2,209,086). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2018 were \$1,865,822 (2017 - \$2,032,987).

At December 31, 2017, the LAPP disclosed an actuarial surplus of \$4,835 million.

21. Financial instruments

The municipality's financial instruments consist of cash and temporary investments, accounts receivable, debt charges recoverable, accounts payable and accrued liabilities, deposit liabilities, and long term debt. It is management's opinion that the municipality is not exposed to significant interest or currency risk arising from these financial instruments.

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

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

MD OF OPPORTUNITY NO. 17
Notes to Financial Statements
As at December 31, 2018

22. Prior Period Adjustments

The municipality has restated its financial statements to comply with the provisions of PS 1300 of the Public Sector Accounting Board Handbook, which requires government reporting entities be consolidated with the municipality on the financial statements. In addition, adjustments have been made for the change in accumulated surplus for duplication of accumulated amortization on subsidiary tangible capital assets. These adjustments are as follows:

	2017
Adjustments to cash and temporary investments	
As previously reported	66,915,165
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	409,535
As restated	67,324,700
	2017
Adjustments to due from federal and provincial governments	
As previously reported	3,220,637
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	407,122
As restated	3,627,759
	2017
Adjustments to trade and other receivables	
As previously reported	1,633,314
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	41,498
As restated	1,674,812
	2017
Adjustments to loans receivable	
As previously reported	-
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	1,073,402
As restated	1,073,402
	2017
Adjustments to accounts payable and accrued liabilities	
As previously reported	4,993,993
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	264,196
As restated	5,258,189
	2017
Adjustments to deposit liabilities	
As previously reported	231,108
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	10,550
As restated	241,658
	2017
Adjustments to deferred revenues	
As previously reported	306,849
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	7,265
As restated	314,114

MD OF OPPORTUNITY NO. 17
Notes to Financial Statements
As at December 31, 2018

22. Prior Period Adjustments (continued)

	2017
Adjustments to deferred revenues related to housing units	
As previously reported	-
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	2,128,000
As restated	2,128,000
	2017
Adjustments to long term debt	
As previously reported	26,396,262
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	18,083
As restated	26,414,345
	2017
Adjustments to tangible capital assets	
As previously reported	300,009,243
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	3,262,926
Adjustment for duplication of accumulated amortization	930,924
As restated	304,203,093
	2017
Adjustments to prepaid expenses	
As previously reported	438,066
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	2,152
As restated	440,218
	2017
Adjustment to accumulated surplus	
As previously reported	346,898,828
Adjustment for consolidation of Wabasca/Desmarais Housing Authority	2,768,541
Adjustment for duplication of accumulated amortization	930,924
As restated	350,598,293

23. Approval of Financial Statements

Council and Management have approved these financial statements.

24. Budget Amounts

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

25. Comparative Figures

The prior year comparative figures were audited by another firm of public accountants. Some of the figures have been reclassified to conform to the current year's presentation.