

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, 2019, and the consolidated statements of operations, changes in net financial assets 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 consolidated financial position of the Municipality as at December 31, 2019, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

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

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 PSAS, 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 related 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.

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:

(continues)

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

- 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.

Wilde & Company

Vegreville, AB
June 24, 2020

Chartered Professional Accountants

MD OF OPPORTUNITY NO. 17
Consolidated Statement of Financial Position
As at December 31, 2019

	2019 \$	2018 \$
Financial Assets		
Cash and temporary investments (Note 4)	45,874,324	63,661,949
Short term investments	-	506,066
Taxes and grants in place of taxes receivable (Note 5)	2,134,817	1,776,442
Due from federal and provincial governments	4,603,269	8,330,808
Trade and other receivables	3,266,408	1,967,938
Loans receivable (Note 6)	689,779	967,384
Land held for resale	900,282	2,566,249
	57,468,879	79,776,836
Liabilities		
Accounts payable and accrued liabilities (Note 7)	6,871,502	7,703,280
Deposit liabilities	212,366	216,034
Deferred revenue (Note 8)	3,241,495	3,124,718
Unamortized capital contributions related to housing units (Note 9)	1,663,000	1,895,500
Long term debt (Note 10)	24,878,061	25,657,008
Capital lease obligations (Note 11)	1,452,102	2,088,723
	38,318,526	40,685,263
Net Financial Assets	19,150,353	39,091,573
Non-Financial Assets		
Tangible capital assets (Schedule 2)	322,398,528	313,787,290
Inventory for consumption (Note 13)	938,229	734,427
Prepaid expenses	730,155	407,964
	324,066,912	314,929,681
Accumulated Surplus (Schedule 1, Note 16)	343,217,265	354,021,254
<i>Contingencies (Note 17)</i>		
<i>Commitments (Note 18)</i>		

MD OF OPPORTUNITY NO. 17
Consolidated Statement of Operations
Year Ended December 31, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
Revenue			
Net municipal taxes <i>(Schedule 3)</i>	49,911,588	50,121,210	53,141,630
User fees and sales of goods	4,066,992	4,175,394	3,982,751
Government transfers for operating <i>(Schedule 4)</i>	1,758,695	4,239,416	3,171,821
Rental	1,748,042	1,116,643	1,203,034
Investment income	761,120	1,325,764	1,568,885
Penalties and costs on taxes	325,750	391,121	96,227
Gain (loss) on disposal of tangible capital assets	-	181,260	(254,154)
Well drilling	132,260	132,259	132,369
Licenses, permits and fines	33,200	25,896	42,263
Other	259,573	362,992	286,516
Total revenue	58,997,220	62,071,955	63,371,342
Expenses			
Council	1,613,602	1,651,585	1,538,738
Administration	7,828,584	8,171,016	9,879,839
Engineering	561,068	514,669	487,612
Fire protection and safety services	5,281,446	11,241,531	5,586,569
Roads, streets, walks, lighting	20,031,832	19,988,426	19,602,784
Airport	136,750	117,206	91,124
Water supply and distribution	9,528,657	6,323,811	7,000,162
Wastewater treatment and disposal	2,318,635	2,645,543	2,789,048
Waste management	722,288	656,381	1,219,167
Family and community support	189,310	285,322	132,223
Daycare and out of school care	3,476,160	3,418,850	3,309,922
Public health and welfare	3,333,846	2,928,970	2,827,672
Economic development and tourism	1,415,749	515,108	724,911
Recreation and culture	12,502,327	14,325,344	12,542,541
Housing operations	2,931,481	1,987,234	2,292,470
Total expenses	71,871,735	74,770,996	70,024,782
Deficiency of revenue over expenses - before other	(12,874,515)	(12,699,041)	(6,653,440)
Other			
Government transfers for capital <i>(Schedule 4)</i>	3,580,143	1,895,052	11,007,325
Excess (deficiency) of revenues over expenses	(9,294,372)	(10,803,989)	4,353,885
Accumulated surplus - beginning of the year	354,021,254	354,021,254	349,667,369
Accumulated surplus - end of the year	344,726,882	343,217,265	354,021,254

MD OF OPPORTUNITY NO. 17
Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2019

	Budget \$ (Unaudited)	2019 \$	2018 \$
Excess (deficiency) of revenues over expenses	(9,294,372)	(10,803,989)	4,353,885
Acquisition of tangible capital assets	(20,714,216)	(25,301,647)	(23,069,199)
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	60,000	1,337,525	140,500
Amortization of tangible capital assets	15,390,000	15,534,144	15,168,419
Adjustment on capital leases	-	-	1,081,451
Loss (gain) on sale of tangible capital assets	-	(181,260)	254,154
	(5,264,216)	(8,611,238)	(9,584,189)
Use (acquisition) of supplies inventories	-	(203,802)	662,580
Use (acquisition) of prepaid assets	-	(322,191)	32,254
	-	(525,993)	694,834
Increase in net debt	(14,558,588)	(19,941,220)	(4,535,470)
Net Financial Assets, beginning of year	39,091,573	39,091,573	43,627,043
Net Financial Assets, end of year	24,532,985	19,150,353	39,091,573

MD OF OPPORTUNITY NO. 17
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
	\$	\$
Operating		
Excess (deficiency) of revenue over expenses	(10,803,989)	4,353,885
Net changes in non-cash items included in excess (deficiency) of revenues over expenses		
Amortization of tangible capital assets	15,534,144	15,168,419
Loss (gain) on disposal of tangible capital assets	(181,260)	254,154
Net changes in non-cash charges to operations		
Increase in taxes and grants in lieu receivable	(358,375)	1,138,885
Decrease (increase) in government receivables	3,727,539	(4,703,049)
Increase in trade and other receivables	(1,298,470)	(293,126)
Decrease in loans receivable	277,605	106,018
Decrease (increase) in land held for resale	1,665,967	(267,968)
Decrease (increase) in prepaid expenses	(322,191)	32,254
Decrease (increase) in inventory for consumption	(203,802)	662,580
Increase (decrease) in accounts payable and accrued liabilities	(831,778)	2,363,110
Decrease in deposit liabilities	(3,668)	(25,624)
Decrease in unamortized capital contributions related to housing units	(232,500)	(232,500)
Increase in deferred revenues	116,777	2,810,604
<i>Net cash provided by operating transactions</i>	7,085,999	21,367,642
Capital		
Acquisition of tangible capital assets	(25,301,647)	(23,069,199)
Proceeds on disposal of tangible capital assets	1,337,525	140,500
<i>Net cash used in capital transactions</i>	(23,964,122)	(22,928,699)
Investing		
Purchase of short term investments	-	(506,066)
Proceeds on disposal of short term investments	506,066	-
Increase in restricted cash	(116,777)	(2,810,604)
<i>Net cash provided by (used in) investing transactions</i>	389,289	(3,316,670)
Financing		
Capital lease obligations repaid	(636,621)	(838,291)
Long term debt repaid	(778,947)	(757,337)
<i>Net cash used in financing transactions</i>	(1,415,568)	(1,595,628)
Change in cash and cash equivalents during the year	(17,904,402)	(6,473,355)
Cash and cash equivalents, beginning of year	60,537,231	67,010,586
Cash and cash equivalents, end of year	42,632,829	60,537,231
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 4)	45,874,324	63,661,949
Less: restricted portion of cash and temporary investments (Note 4)	(3,241,495)	(3,124,718)
	42,632,829	60,537,231
Cash flows supplementary information:		
Interest paid	785,227	789,482
Interest received	1,325,764	1,568,885

MD OF OPPORTUNITY NO. 17
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2019

(Schedule 1)

	Unrestricted Surplus	Restricted Capital Reserves	Equity in Capital Assets	2019 \$	2018 \$
Balance, beginning of year	22,393,530	47,481,665	284,146,059	354,021,254	349,667,369
Annual surplus (deficit)	(10,803,989)			(10,803,989)	4,353,885
Amortization of tangible capital assets	15,534,144		(15,534,144)	-	-
Disposal of tangible capital assets	1,156,265		(1,156,265)	-	-
Current year funds used for tangible capital assets	(1,662,552)	(23,639,095)	25,301,647	-	-
Recognition of unamortized capital contributions related to housing units	(232,500)		232,500	-	
Capital lease obligations repaid	(636,621)		636,621	-	
Long term debt repaid	(778,947)		778,947	-	-
Change in accumulated surplus	2,575,800	(23,639,095)	10,259,306	(10,803,989)	4,353,885
Balance, end of year	24,969,330	23,842,570	294,405,365	343,217,265	354,021,254

MD OF OPPORTUNITY NO. 17
Schedule of Tangible Capital Assets
Year Ended December 31, 2019

(Schedule 2)

	Land	Work in Progress	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Land Improvements	2019 \$	2018 \$
Cost									
Balance, beginning 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
Acquisition of tangible capital assets	1,743,263	16,807,205	219,365	5,254,686	924,055	288,125	64,948	25,301,647	42,976,912
Acquisition of capital leased assets	-	-	-	-	-	-	-	-	2,927,014
Transfer of completed projects	-	(3,521,566)	661,423	15,185	431,683	-	2,413,275	-	(19,907,713)
Disposal of tangible capital assets	(10,100)	(12,330)	(629,984)	(4,452)	(848,208)	(1,854,412)	(207,879)	(3,567,365)	(691,649)
Balance, end of year	4,706,660	35,244,608	101,974,082	349,968,628	24,266,649	15,325,874	3,604,571	535,091,072	513,356,790
Accumulated amortization									
Balance, beginning of year	-	-	21,480,414	158,105,574	11,238,109	8,713,715	31,688	199,569,500	183,849,125
Annual amortization	-	-	2,314,763	9,858,011	1,801,772	1,514,205	45,393	15,534,144	15,168,419
Adjustment on capital leases	-	-	-	-	-	-	-	-	1,081,451
Accumulated amortization on disposals	-	-	(177,873)	-	(682,579)	(1,550,648)	-	(2,411,100)	(529,495)
Balance, end of year	-	-	23,617,304	167,963,585	12,357,302	8,677,272	77,081	212,692,544	199,569,500
2019 net book value of tangible capital assets	4,706,660	35,244,608	78,356,778	182,005,043	11,909,347	6,648,602	3,527,490	322,398,528	313,787,290
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

Included in Machinery and Equipment are capital leased assets with a cost of \$1,845,565 (2018 - \$2,859,445) and accumulated amortization of \$223,218 (2018 - \$481,863). Included in disposals of Machinery and Equipment are capital leased assets with a cost of \$1,013,880 and accumulated amortization of \$445,131. Amortization expense incurred on capital leased assets is \$186,487 (2018 - \$246,565) for the year.

MD OF OPPORTUNITY NO. 17
Schedule of Property and Other Taxes
Year Ended December 31, 2019

(Schedule 3)

	Budget	2019	2018
	\$	\$	\$
	(Unaudited)		
Taxation			
Real property taxes	15,548,415	16,112,035	17,547,636
Linear property	43,446,296	42,794,681	44,382,243
Government grants in place of property taxes	-	167,407	126,863
	58,994,711	59,074,123	62,056,742
Requisitions			
Alberta School Foundation Fund	8,695,780	8,568,540	8,627,289
Designated Industrial Property	193,122	193,258	84,253
Seniors Lodge	194,221	191,115	203,570
	9,083,123	8,952,913	8,915,112
Net Municipal Taxes	49,911,588	50,121,210	53,141,630

MD OF OPPORTUNITY NO. 17
Schedule of Government Transfers
Year Ended December 31, 2019

(Schedule 4)

	Budget \$ (Unaudited)	2019 \$	2018 \$
Transfers for operating			
Provincial Government	1,758,695	4,239,416	3,171,821
	1,758,695	4,239,416	3,171,821
Transfers for capital			
Provincial Government	3,580,143	1,895,052	9,431,394
Federal Government	-	-	1,575,931
	3,580,143	1,895,052	11,007,325
Total Government Transfers	5,338,838	6,134,468	14,179,146

MD OF OPPORTUNITY NO. 17
Schedule of Consolidated Expenses by Object
Year Ended December 31, 2019

(Schedule 5)

	Budget \$ (Unaudited)	2019 \$	2018 \$
Consolidated expenses by object			
Salaries, wages and benefits	31,441,954	30,242,463	29,429,673
Contracted and general services	12,446,326	13,132,058	12,191,102
Materials, goods, supplies and utilities	7,895,964	6,607,383	8,061,725
Provision for allowances	1,500,000	1,062,272	2,728,809
Transfers to individuals and organizations	1,814,087	946,274	1,476,775
Bank charges and short term interest	26,484	97,587	130,417
Interest on long term debt	940,045	828,714	837,862
Amortization of tangible capital assets	15,390,000	15,534,144	15,168,419
Other	416,875	6,320,101	-
	71,871,735	74,770,996	70,024,782

MD OF OPPORTUNITY NO. 17
Schedule of Segmented Disclosure
Year Ended December 31, 2019

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Public Health	Recreation & Culture	Public Housing	Total \$
Revenue									
Net municipal taxes	50,121,210	-	-	-	-	-	-	-	50,121,210
Well drilling	132,259	-	-	-	-	-	-	-	132,259
Sale of goods and services	662,609	86,374	129,744	1,954,796	193	1,265,608	76,070	-	4,175,394
Penalties/costs	156,393	-	-	234,728	-	-	-	-	391,121
Licenses and permits	-	25,896	-	-	-	-	-	-	25,896
Return on investment	1,307,657	-	-	-	-	-	-	18,107	1,325,764
Rental revenues	2,985	306,258	-	-	-	41,500	351,980	413,920	1,116,643
Gain (loss) on disposal of assets	553,679	-	-	-	-	-	-	(372,419)	181,260
Government transfers	1,012,466	3,698,945	668,173	84,443	-	347,780	-	322,661	6,134,468
Other revenues	212,164	74,530	-	-	1,480	54,775	10,797	9,246	362,992
	54,161,422	4,192,003	797,917	2,273,967	1,673	1,709,663	438,847	391,515	63,967,007
Expenses									
Salaries, wages and benefits	4,642,899	2,129,844	6,386,587	3,956,062	687,047	3,555,678	8,286,837	597,509	30,242,463
Contracted and general services	3,352,408	2,295,310	2,238,644	2,032,694	132,764	2,022,347	857,477	200,414	13,132,058
Materials, goods, supplies and utilities	178,756	290,174	2,732,371	970,212	16,710	273,938	1,490,479	654,743	6,607,383
Transfers to individuals and organizations	1,320	6,000	-	-	21,091	38,500	836,937	42,426	946,274
Bank charges and interest	281	159	92,113	344	-	113	687	3,890	97,587
Interest on long term debt	103,611	-	-	-	-	-	-	725,103	828,714
Provision for bad debts	1,135,030	-	-	-	-	34,690	-	(107,448)	1,062,272
Other expenses	-	6,041,544	-	-	-	-	-	278,557	6,320,101
	9,414,305	10,763,031	11,449,715	6,959,312	857,612	5,925,266	11,472,417	2,395,194	59,236,852
Net revenue (expense) before amortization	44,747,117	(6,571,028)	(10,651,798)	(4,685,345)	(855,939)	(4,215,603)	(11,033,570)	(2,003,679)	4,730,155
Amortization of tangible capital assets	408,295	478,500	8,655,917	2,666,423	172,165	707,876	2,080,502	364,466	15,534,144
2019 net revenue (expense)	44,338,822	(7,049,528)	(19,307,715)	(7,351,768)	(1,028,104)	(4,923,479)	(13,114,072)	(2,368,145)	(10,803,989)
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

MD OF OPPORTUNITY NO. 17
Non-consolidated Statement of Operations
Year Ended December 31, 2019

(Schedule 7)

	Budget \$ (Unaudited)	2019 \$	2018 \$
Revenue			
Net municipal taxes	47,494,834	50,181,528	52,598,084
User fees and sales of goods	4,066,992	4,187,717	3,996,051
Government transfers for operating	1,758,695	4,149,255	3,086,250
Rental	960,209	702,723	731,413
Investment income	754,620	1,307,657	1,556,353
Penalties and costs on taxes	325,750	391,121	96,227
Gain (loss) on disposal of tangible capital assets	-	553,679	(254,154)
Well drilling	132,260	132,259	138,259
Licenses, permits and fines	33,200	25,896	42,263
Other	259,573	362,628	277,806
Total revenue	55,786,133	61,994,463	62,268,552
Expenses			
Council	1,613,602	1,651,585	1,538,738
Administration	6,328,584	7,083,729	9,879,839
Engineering	561,068	514,669	487,612
Fire protection and safety services	5,281,446	11,241,531	5,586,569
Roads, streets, walks, lighting	20,031,832	19,988,426	19,602,784
Airport	136,750	117,206	91,124
Water supply and distribution	9,528,657	6,323,811	7,000,162
Wastewater treatment and disposal	2,318,635	2,645,543	2,789,048
Waste management	722,288	656,381	1,219,167
Family and community support	189,310	285,322	132,223
Daycare and out of school care	3,476,160	3,418,850	3,309,922
Public health and welfare	3,333,846	2,928,970	2,827,672
Economic development and tourism	1,415,749	515,108	724,911
Recreation and culture	12,802,327	13,552,918	12,542,541
Housing operations	837,945	1,645,774	1,161,544
Total expenses	68,578,199	72,569,823	68,893,856
Deficiency of revenue over expenses - before other	(12,792,066)	(10,575,360)	(6,625,304)
Other			
Government transfers for capital	3,347,643	1,662,552	10,774,825
Excess (deficiency) of revenues over expenses	(9,444,423)	(8,912,808)	4,149,521
Accumulated surplus - beginning of the year	346,184,873	346,184,873	342,035,352
Accumulated surplus - end of the year	336,740,450	337,272,065	346,184,873

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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.

(continues)

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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, 2019

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, 2019

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
Land improvements	25-50
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, 2019

2. Adoption of recent accounting pronouncements

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPAC).

Section PS 3430 - Restructuring Transactions

This new Section defines a restructuring transaction and establishes for recognizing and measuring assets and liabilities transferred in a restructuring transaction. This standard is effective for fiscal periods beginning on or after April 1, 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 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.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

4. Cash and temporary investments

	2019	2018
Cash	\$ 19,857,630	\$ 20,409,646
Temporary investments	26,016,694	43,252,303
	\$ 45,874,324	\$ 63,661,949

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

Council has designated funds of \$23,842,570 (2018 - \$47,481,665) included in the above amounts for equipment replacement.

Included in cash and temporary investments is a restricted amount of \$3,241,495 (2018 – \$3,124,718) comprised of deferred revenue not expended (Note 8).

5. Taxes and grants in place of taxes receivable

	2019	2018
Current taxes and grants in place of taxes	\$ 2,371,152	\$ 2,762,749
Arrears taxes	6,200,890	4,363,850
	8,572,042	7,126,599
Less: allowance for doubtful accounts	(6,437,225)	(5,350,157)
	\$ 2,134,817	\$ 1,776,442

6. Loans receivable

	2019	2018
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.	\$ 2,058,613	\$ 2,122,047
Loan receivable bearing interest at 0% per annum, repayable in monthly payments of \$500, maturing in 2022 and secured by a claim against the housing unit owned by the borrower.	12,561	36,604
	2,071,174	2,158,651
Allowance for doubtful loans receivable	(1,381,395)	(1,191,267)
	\$ 689,779	\$ 967,384

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

7. Accounts payable and accrued liabilities

	2019	2018
Trade accounts payable and accrued liabilities	\$ 6,297,513	\$ 7,312,856
Vacation and overtime accruals	537,211	351,364
Government payables	36,778	39,060
	\$ 6,871,502	\$ 7,703,280

8. Deferred revenue

	2019	2018
Deferred revenue - operating	\$ 230,982	\$ 130,776
Deposit liabilities and prepaid rent	20,406	4,716
Alberta Municipal Water/Wastewater Partnership	2,853,778	2,853,778
Tax sale surplus	136,329	135,448
	\$ 3,241,495	\$ 3,124,718

Grants

Funding in the amount of \$6,251,193 was received in the prior 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. This project has been completed however the funds are not required to be repaid. The Municipality is working with Alberta Municipal Water/Wastewater Partnership to approve a new project to use these funds. Unexpended funds related to these advances are supported by cash and temporary investments of \$2,853,778 held exclusively for this project (Note 4).

9. Expended deferred capital revenues related to housing units

The Housing Authority received provincial funding to build affordable housing units which are sold to qualified applicants. The terms of the funding require that the revenue associated with these grants be recognized over 20 years. The funding was received under the Sustainable Remote Housing Initiative Grant.

	2019	2018
2004 - 2005 Alberta Government Grant for 18 units	\$ 337,500	\$ 405,000
2006 - 2008 Alberta Government Grant for 30 units	1,325,500	1,490,500
	\$ 1,663,000	\$ 1,895,500

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

10. Long-term debt

	2019	2018
Long term care facility debenture	\$ 23,612,612	\$ 24,316,645
Developer agreement debenture	1,265,449	1,331,960
Ford Credit finance contract	-	8,403
	\$ 24,878,061	\$ 25,657,008

The current portion of the long-term debt amounts to \$794,123 (2018 - \$778,947)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 794,133	\$ 746,319	\$ 1,540,452
2021	818,445	722,007	1,540,452
2022	843,503	696,949	1,540,452
2023	869,329	670,223	1,539,552
2024	895,946	644,506	1,540,452
Thereafter	<u>20,656,705</u>	<u>6,126,156</u>	<u>26,782,861</u>
	<u>\$ 24,878,061</u>	<u>\$ 9,606,160</u>	<u>\$ 34,484,221</u>

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 2019 (3.205% for 2018).

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

Interest on long-term debt amounted to \$828,714 (2018 - \$837,862).

The Municipality's total cash payments for interest were \$785,227 (2018 - \$789,482).

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

11. Capital lease obligations

	2019	2018
Canadian Western Bank capital lease	\$ -	\$ 28,607
Caterpillar Financial capital lease	-	197,037
Caterpillar Financial capital lease	26,382	77,416
Caterpillar Financial capital lease	127,990	180,896
Caterpillar Financial capital lease	464,830	537,374
Caterpillar Financial capital lease	464,830	537,375
Caterpillar Financial capital lease	368,070	458,366
Caterpillar Financial capital lease	-	35,826
Caterpillar Financial capital lease	-	35,826
	\$ 1,452,102	\$ 2,088,723

Future minimum capital lease payments are approximately:

2020	\$ 402,425
2021	375,700
2022	331,816
2023	517,709
Total minimum lease payments	1,627,650
Less: amount representing interest at various rates	175,548
Present value of minimum lease payments	1,452,102
Less: current portion	331,039
	\$ 1,121,063

Capital lease obligations bear interest at rates ranging from 4.45% to 6.7% per annum and mature in years 2020 through 2023. The average annual rate is 5.2% (2018 - 5.033%). The capital lease obligations are secured by machinery and equipment with a combined carrying value of \$1,622,347 (2018 - \$2,377,583).

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Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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:

	2019	2018
Total debt limit	\$ 93,107,933	\$ 95,057,013
Total debt	24,878,061	25,648,605
Amount of debt limit unused	\$ 68,229,872	\$ 69,408,408
Debt servicing limit	\$ 15,517,989	\$ 15,842,836
Debt servicing	1,540,443	1,549,132
Amount of debt servicing limit unused	\$ 13,977,546	\$ 14,293,704

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.

13. Inventory for consumption

	2019	2018
Gravel	\$ 762,577	\$ 546,438
Fuel	69,655	51,632
Eagle Point golf course merchandise	105,997	136,357
	\$ 938,229	\$ 734,427

MD OF OPPORTUNITY NO. 17**Notes to Consolidated Financial Statements****Year Ended December 31, 2019****14. 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 192,329 tonnes (2018 – 197,585 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.

	2019	2018
Estimated closure costs	\$ 1,274,670	\$ 1,274,670
Estimated post-closure costs	2,700,000	2,700,000
Total estimated costs	3,974,670	3,974,670
Liability accrued to December 31, 2019	(631,890)	(656,092)
Estimated balance to accrue	\$ 3,342,780	\$ 3,318,578

15. Equity in tangible capital assets

	2019	2018
Tangible capital assets (Schedule 2)	\$535,091,072	\$513,356,790
Less: Accumulated amortization (Schedule 2)	212,692,544	199,569,500
Less: Long-term debt (Note 9)	24,878,061	25,657,008
Less: Capital lease obligations (Note 10)	1,452,102	2,088,723
Less: Deferred contributions related to housing units	1,663,000	1,895,500
	\$294,405,365	\$284,146,059

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

16. Accumulated surplus

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

	2019	2018
Unrestricted surplus	\$ 24,969,330	\$ 22,393,530
Restricted surplus		
General capital	12,640,123	22,446,000
Long term care facility	2,483,512	14,621,071
Water	8,718,935	10,414,594
Equity in tangible capital assets	294,405,365	284,146,059
	\$343,217,265	\$354,021,254

17. Contingencies

Optrics Inc. filed a Statement of Claim on October 17, 2017, seeking damages of \$1,634,032 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.

The Municipality is in dispute with the OML Construction Services Ltd. regarding the Wabasca Long Term Care Health Care facility project. OML Construction Services Ltd. has cancelled their contract with the Municipality due to non-payment of a holdback which was held back due to deficiencies. OML Construction Services Ltd. has registered a lien against the property of \$1,951,756. Management is of the opinion that OML Construction Services Ltd. will perform the required work to clear the deficiencies and the Municipality will pay release all holdbacks.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

18. Commitments

The municipality is committed to completion of the Wabasca Long Term Care Health Care Facility project. As of December 31, 2019, the municipality has incurred \$22,516,488 in project-related costs (2018 - \$7,717,102). The balance of costs committed to complete the project is \$2,544,841.

The municipality is committed to completion of the All Regional Water SCADA project. As of December 31, 2019, the municipality has incurred \$2,440,434 in project-related costs (2018 - \$1,294,471). The balance of costs committed to complete the project is \$475,835.

The municipality is committed to completion of the Eagle Point Golf Course expansion project. As of December 31, 2019, the municipality has incurred \$1,512,919 in project-related costs. The balance of costs committed to complete the project is \$1,663,221.

The municipality is committed to Keyanow Medical Clinic office project. As of December 31, 2019, the municipality has incurred \$329,838 in project related costs. The balance of costs committed to complete the project is \$470,662.

19. Subsequent events

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

As at June 24, 2020, the municipality is aware of changes in its operations as a result of the COVID-19 crisis, including closure of certain municipal facilities and operations and layoffs of staff.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, management is unable to estimate the potential impact on the municipality's operations as at the date of these financial statements.

On June 17, 2020, the Municipality met with the Deputy Minister of Municipal Affairs regarding costs incurred during the 2019 wildfires. Municipal Affairs as given verbal confirmation that \$4,972,400 will be paid to the Municipality for emergency fire expenditures.

20. 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, 2019

21. 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:

				2019	2018			
	Salary	(1)	Benefits & allowances (2)	Total	Total			
Councillors:								
Marshall D. Auger (Reeve)	\$	106,525	\$	7,790	\$	114,315	\$	100,248
Everett Gottfried (Deputy Reeve)		94,000		7,790		101,790		99,415
Leo Alook		91,000		6,590		97,590		97,590
Kevin Bigstone		91,000		7,790		98,790		98,790
Louis Cardinal		91,000		6,590		97,590		93,990
Victor Gladue		91,000		1,300		92,300		92,300
Robin Guild		91,000		5,579		96,579		96,579
Darlene Davis-Jackson		98,450		5,390		103,840		96,390
Brendan Powell		91,000		7,790		98,790		98,790
Barry Schmidt		91,000		5,390		96,390		96,390
Roy Yellowknee		91,000		7,790		98,790		98,790
William Kostiw (CAO)		298,969		-		298,969		139,425
Helen Alook (previous CAO)		-		-		-		196,336
Subdivision and Appeal Board Clerk		83,343		7,666		91,009		86,708
Development Officer		84,391		7,982		92,373		88,449

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, long and short term disability plans, professional memberships and tuition.

22. 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 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount.

Total current service contributions by the Municipality to the LAPP in 2019 were \$1,793,366 (2018 - \$2,043,173). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2019 were \$1,622,064 (2018 - \$1,865,822).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.469 billion.

MD OF OPPORTUNITY NO. 17
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

23. 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.

24. Approval of financial statements

Council and Management have approved these financial statements.

25. Budget amounts

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