

TOWN OF BONNYVILLE
Annual Financial Documents
Year Ended December 31, 2017



Wilde and Company
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Bonnyville

We have audited the accompanying consolidated financial statements of Town of Bonnyville, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Town of Bonnyville as at December 31, 2017 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Vegreville, AB
April 10, 2018

Wilde & Company
Chartered Professional Accountants

TOWN OF BONNYVILLE
Consolidated Statement of Financial Position
As at December 31, 2017

	2017	2016
Financial assets		
Cash (Note 3)	\$ 6,310,046	\$ 10,625,210
Receivables		
Taxes and grants in place of taxes receivable (Note 4)	1,112,471	796,338
Due from governments	4,954,787	3,707,979
Trade and other receivables	2,312,754	2,003,367
Local improvement receivable (Note 5)	16,297,836	17,281,455
Investments (Note 6)	3,568,349	561,185
	34,556,243	34,975,534
Liabilities		
Accounts payable and accrued liabilities	4,375,035	4,172,567
Deposit liabilities	453,413	529,973
Trust liabilities	56,531	59,574
Deferred revenue (Note 7)	4,548,288	2,682,946
Long term debt (Note 8)	18,247,127	19,371,449
	27,680,394	26,816,509
Net financial assets	6,875,849	8,159,025
Non-financial assets		
Tangible capital assets (Schedule 2)	136,325,505	127,566,911
Inventory	199,937	311,469
Prepaid expenses	57,591	99,067
	136,583,033	127,977,447
Accumulated surplus (Schedule 1)	\$ 143,458,882	\$ 136,136,472
Commitment (Note 16)		
Contingencies (Note 17)		

TOWN OF BONNYVILLE
Consolidated Statement of Operations
Year Ended December 31, 2017

	Budget (Unaudited)	2017	2016
Revenues			
Net municipal taxes (<i>Schedule 3</i>)	\$ 7,811,221	\$ 7,646,067	\$ 7,586,339
Local improvements	-	141,153	(222,448)
Recreation local improvement	252,085	252,018	251,797
User fees and sales of goods	4,591,122	4,355,647	4,462,016
Government transfers for operating (<i>Schedule 4</i>)	1,968,720	2,080,103	2,465,743
Investment income	70,000	142,712	119,679
Penalties and costs on taxes	204,500	307,272	181,677
Loss on disposal of tangible capital assets	-	(73,060)	(5,122)
Other	2,029,593	1,832,919	1,921,202
	16,927,241	16,684,831	16,760,883
Expenses			
Administration and legislative	2,261,491	2,319,258	2,207,767
Protective services	2,506,026	2,343,766	3,142,547
Bylaw enforcement	69,404	67,183	5,944
Roads, streets, walks, lighting	5,839,383	5,434,497	4,932,758
Airport services	292,918	288,814	291,728
Water supply and distribution	2,256,146	2,093,462	2,025,301
Wastewater treatment and disposal	1,268,208	1,231,159	1,153,821
Waste management	1,566,111	1,452,267	1,587,925
Family and community support	794,435	943,976	748,545
Land use planning, zoning and development	483,395	366,730	354,695
Parks and recreation	3,145,138	2,939,630	2,817,452
Culture	488,987	485,315	484,576
	20,971,642	19,966,057	19,753,059
Excess of revenue over expenses - before other	(4,044,401)	(3,281,226)	(2,992,176)
Other			
Government transfers for capital (<i>Schedule 4</i>)	12,736,136	10,446,899	4,426,076
Donations and funding for capital	-	156,737	385,821
Contribution of capital received	-	-	7,816,536
Excess of revenues over expenses	8,691,735	7,322,410	9,636,257
Accumulated surplus - beginning of the year	136,136,472	136,136,472	126,500,215
Accumulated surplus - end of the year	\$ 144,828,207	\$ 143,458,882	\$ 136,136,472

TOWN OF BONNYVILLE**Consolidated Statement of Change in Net Financial Assets****Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016
Excess of revenues over expenses	\$ 8,691,735	\$ 7,322,410	\$ 9,636,257
Acquisition of tangible capital assets	(14,020,811)	(13,510,866)	(6,394,622)
Contributed tangible capital assets	-	-	(7,816,536)
Proceeds on disposal of tangible capital assets	-	65,000	67,090
Amortization of tangible capital assets	-	4,614,212	4,312,228
Loss on sale of tangible capital assets	-	73,060	5,122
	(14,020,811)	(8,758,594)	(9,826,718)
Acquisition (use) of supplies inventories	-	111,532	(152,356)
Acquisition (use) of prepaid assets	-	41,476	(51,223)
	-	153,008	(203,579)
Decrease (increase) in net financial assets	(5,329,076)	(1,283,176)	(394,040)
Net financial assets, beginning of year	8,159,025	8,159,025	8,553,065
Net financial assets, end of year	\$ 2,829,949	\$ 6,875,849	\$ 8,159,025

TOWN OF BONNYVILLE
Consolidated Statement of Cash Flows
Year Ended December 31, 2017

	2017	2016
Operating		
Excess of revenue over expenses	\$ 7,322,410	\$ 9,636,257
Net changes in non-cash items included in excess of revenues over expenses		
Amortization of tangible capital assets	4,614,212	4,312,228
Contributed tangible capital assets	-	(7,816,536)
Loss on disposal of tangible capital assets	73,060	5,122
Net changes in non-cash charges to operation		
Increase in taxes and grants in lieu receivable	(316,133)	(345,713)
Increase in government receivables	(1,246,808)	(1,152,601)
(Increase) decrease in trade and other receivables	(309,387)	2,029,831
Decrease in local improvements receivable	983,619	1,275,270
Decrease (increase) in inventory	111,532	(152,356)
Decrease (increase) in prepaid expenses	41,476	(51,224)
Increase in accounts payable and accrued liabilities	202,468	416,356
Decrease in trust liabilities	(3,043)	-
Decrease in deposit liabilities	(76,560)	(47,143)
Increase in deferred revenues	1,865,342	2,710,599
<i>Cash provided by operating transactions</i>	13,262,188	10,820,090
Capital		
Acquisition of tangible capital assets	(13,510,866)	(6,394,622)
Proceeds from sale of tangible capital assets	65,000	67,090
<i>Cash applied to capital transactions</i>	(13,445,866)	(6,327,532)
Investing		
Increase in restricted cash or cash equivalents	(1,594,728)	(2,710,599)
Increase in investments	(3,007,164)	(6,983)
<i>Cash (applied to) provided by investing transactions</i>	(4,601,892)	(2,717,582)
Financing		
Long term debt repaid	(1,124,322)	(1,288,959)
<i>Cash applied to financing transactions</i>	(1,124,322)	(1,288,959)
Change in cash and cash equivalents during the year	(5,909,892)	486,017
Cash and cash equivalents, beginning of year	7,615,119	7,129,102
Cash and cash equivalents, end of year	\$ 1,705,227	\$ 7,615,119
Cash and cash equivalents is made up of:		
Cash (Note 3)	\$ 6,310,046	\$ 10,625,210
Less: restricted portion of cash (Note 3)	(4,604,819)	(3,010,091)
	\$ 1,705,227	\$ 7,615,119

TOWN OF BONNYVILLE
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2017

(Schedule 1)

					2017	2016
	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Tangible Capital Assets	\$	\$
Balance, beginning of year	446,982	19,448,148	8,045,880	108,195,462	136,136,472	126,500,215
Excess of revenues over expenses	7,322,410	-	-	-	7,322,410	9,636,257
Unrestricted funds designated for future use	2,317,044	(537,750)	(1,779,294)	-	-	-
Capital debt repayment	(1,124,322)	-	-	1,124,322	-	-
Current year funds used for tangible capital assets	(13,510,866)	-	-	13,510,866	-	-
Contributed asset received	-	-	-	-	-	-
Capital debt issued	-	-	-	-	-	-
Disposal of tangible capital assets	138,060	-	-	(138,060)	-	-
Annual amortization expense	4,614,212	-	-	(4,614,212)	-	-
	(243,462)	(537,750)	(1,779,294)	9,882,916	7,322,410	9,636,257
Balance, end of year	203,520	18,910,398	6,266,586	118,078,378	143,458,882	136,136,472

TOWN OF BONNYVILLE
Schedule of Tangible Capital Assets
Year Ended December 31, 2017

(Schedule 2)

								2017	2016
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction In Progress	\$	\$
Cost:									
Balance, beginning of year	11,005,684	5,722,147	35,895,004	130,690,914	6,979,374	2,932,657	-	193,225,780	179,626,979
Acquisition of tangible capital assets	-	108,777	240,892	7,111,598	595,413	69,415	5,384,771	13,510,866	6,394,622
Contributed tangible capital assets	-	-	-	-	-	-	-	-	7,816,536
Disposal of tangible capital assets	-	-	-	(410,694)	(295,381)	-	-	(706,075)	(612,357)
Balance, end of year	11,005,684	5,830,924	36,135,896	137,391,818	7,279,406	3,002,072	5,384,771	206,030,571	193,225,780
Accumulated amortization:									
Balance, beginning of year	-	2,746,213	11,678,666	47,036,694	2,552,506	1,644,790	-	65,658,869	61,886,785
Annual amortization	-	237,030	678,436	3,030,475	494,051	174,220	-	4,614,212	4,312,228
Accumulated amortization on disposals	-	-	-	(357,869)	(210,146)	-	-	(568,015)	(540,144)
Balance, end of year	-	2,983,243	12,357,102	49,709,300	2,836,411	1,819,010	-	69,705,066	65,658,869
Net Book Value of tangible capital assets	11,005,684	2,847,681	23,778,794	87,682,518	4,442,995	1,183,062	5,384,771	136,325,505	127,566,911
2016 Net Book Value of tangible capital assets	11,005,684	2,975,934	24,216,338	83,654,220	4,426,868	1,287,867	-		127,566,911

TOWN OF BONNYVILLE
Schedule of Property and Other Taxes
Year Ended December 31, 2017

(Schedule 3)

	Budget (Unaudited)	2017	2016
Taxation			
Real property taxes	\$ 11,500,295	\$ 11,333,695	\$ 11,334,111
Government grants in place of property taxes	51,488	51,803	48,487
	11,551,783	11,385,498	11,382,598
Requisitions			
Alberta School Foundation Fund	3,646,159	3,645,237	3,728,956
Lakeland Seniors Foundation	94,403	94,194	67,303
	3,740,562	3,739,431	3,796,259
Net Municipal Taxes	\$ 7,811,221	\$ 7,646,067	\$ 7,586,339

TOWN OF BONNYVILLE
Schedule of Government Transfers
Year Ended December 31, 2017

(Schedule 4)

	Budget (Unaudited)	2017	2016
Transfers for operating			
Provincial Government	741,543	886,732	757,732
Other Local Governments	1,227,177	1,193,371	1,708,011
	1,968,720	2,080,103	2,465,743
Transfers for Capital			
Provincial Government	10,467,208	8,297,185	3,800,869
Other Local Governments	2,268,928	2,149,714	625,207
	12,736,136	10,446,899	4,426,076
Total Government Transfers	\$ 14,704,856	\$ 12,527,002	\$ 6,891,819

TOWN OF BONNYVILLE**(Schedule 5)****Schedule of Consolidated Expenses by Object****Year Ended December 31, 2017**

	Budget (Unaudited)	2017	2016
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 6,223,770	\$ 5,809,588	\$ 5,803,866
Contracted and general services	5,212,528	5,015,502	5,406,874
Materials, goods, supplies and utilities	2,551,688	2,586,815	2,471,151
Transfers to individuals and organizations	1,300,642	1,322,050	1,093,908
Bank charges and short term interest	2,000	1,712	1,045
Amortization of tangible capital assets	5,024,477	4,614,212	4,312,228
Interest on long term debt	619,787	616,178	663,987
	\$ 20,934,892	\$ 19,966,057	\$ 19,753,059

TOWN OF BONNYVILLE
Schedule of Segmented Disclosure
Year Ended December 31, 2017

(Schedule 6)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total \$
Revenue								
Net municipal taxes	7,646,067	-	-	-	-	-	-	7,646,067
Local improvements	141,153	-	-	-	-	-	-	141,153
Recreation local improvement	-	-	-	-	252,018	-	-	252,018
Government transfers	144,396	415,368	50,445	-	614,744	9,887	845,263	2,080,103
User fees and sales of goods	10,790	41,386	44,564	16,500	164,753	4,052,588	25,066	4,355,647
Investment income	142,712	-	-	-	-	-	-	142,712
Other revenues	3,544,541	270,971	5,936,027	95,238	209,696	2,583,050	31,244	12,670,767
	11,629,659	727,725	6,031,036	111,738	1,241,211	6,645,525	901,573	27,288,467
Expenses								
Contracted and general services	792,510	1,729,454	709,637	75,190	221,772	1,302,645	184,294	5,015,502
Salaries, wages and benefits	1,402,691	225,200	1,086,292	245,693	1,076,553	1,261,178	511,981	5,809,588
Materials, goods, supplies and utilities	30,107	70,567	1,157,543	3,982	290,924	899,024	134,668	2,586,815
Transfers to local boards and agencies	79,665	-	-	-	1,164,685	-	77,700	1,322,050
Interest on long term debt	-	144,058	408,152	-	29,806	34,162	-	616,178
Other expenses	1,712	-	-	-	-	-	-	1,712
	2,306,685	2,169,279	3,361,624	324,865	2,783,740	3,497,009	908,643	15,351,845
Net revenue before amortization	9,322,974	(1,441,554)	2,669,412	(213,127)	(1,542,529)	3,148,516	(7,070)	11,936,622
Amortization of tangible capital assets	12,573	241,670	2,453,463	1,590	681,480	1,188,103	35,333	4,614,212
Net revenue	9,310,401	(1,683,224)	215,949	(214,717)	(2,224,009)	1,960,413	(42,403)	7,322,410
Net revenue - 2016	9,799,482	(1,755,805)	3,508,409	1,684	(2,201,663)	296,615	(12,465)	9,636,257

TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. Significant accounting policies

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 (CPAC). 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 municipalities and are, therefore, accountable to Council for the administration of their financial affairs and resources. Included with the municipalities are the following:

Town of Bonnyville Waterworks System

Town of Bonnyville Library Board

Town of Bonnyville Waste Disposal Enterprise

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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TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

1. Significant accounting policies (*continued*)

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where 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;
- Estimated useful life of tangible capital assets;
- Allowance for doubtful accounts; and
- Local improvements receivable

Cash and cash equivalents

Cash includes cash and cash equivalents. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Debt charges recoverable

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

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TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

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

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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.

Local improvements

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

Landfill closure and post-closure liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the municipalities 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.

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TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

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 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
Land improvements	15-20
Buildings	25-50
Engineered structures	
Water system	35-65
Wastewater system	35-65
Other engineered structures	15-40
Machinery and equipment	5-20
Vehicles	3-20

Assets acquired during the year will be amortized in the following year in accordance with the useful lives stated above. Assets disposed of in the year are amortized fully in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are recorded as revenue.

c) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

d) Inventories

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

e) Cultural and historical tangible capital assets

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

TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

2. Recent accounting pronouncements published but not yet adopted

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

Section PS 3450 - Financial Instruments

This new section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. In conjunction with this new section, Section PS 1201 and Section PS 2601 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, 2019.

Section PS 2200 - Related Party Disclosures

This new section establishes a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements. This section applies to fiscal periods beginning on or after April 1, 2017.

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. The main features of this new section are:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value, or other amount dictated by policy, accountability structure, or budget practice;
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value; and
- Inter-entity transactions are considered in conjunction with related party disclosures, Section PS2200.

This section applies to fiscal years beginning on or after April 1, 2017.

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TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

2. Recent accounting pronouncements published but not yet adopted (*continued*)

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. Disclosure of information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate of the amount involved cannot be made, the reason(s) for this should be disclosed. This section applies to fiscal years beginning on or after April 1, 2017.

Section PS 3320 - Contingent Assets

This new section defines and establishes disclosure standards on contractual rights. Disclosure of information about contractual rights is required including description about their nature and extent and the timing. This section applies to fiscal years beginning on or after April 1, 2017.

Section PS 3380 - Contractual Rights

This new Section defines and establishes disclosure standards on contractual rights. This section applies to fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

Section PS 3430 - Restructuring Transactions

This new section defines a restructuring transaction and establishes standards for 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.

3. Cash

	2017	2016
Cash	\$ 6,310,046	\$ 10,625,210

Included in cash is a restricted amount of \$4,548,288 (2016 – \$2,682,946) received from grants which are held exclusively for restrictive purposes (Note 7). Also included in restricted cash is \$56,531 (2016 - \$59,574) for trust liabilities.

Council has designated funds totaling \$2,708,461 (2016 - \$7,615,119) for capital replacement.

The bank account has an overdraft authorized to \$3,700,000.

4. Taxes and grants in place of taxes receivable

	2017	2016
Current taxes and grants in place of taxes	\$ 651,977	\$ 642,397
Arrears taxes	460,494	153,941
	\$ 1,112,471	\$ 796,338

TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

5. Local improvement receivable

	2017	2016
Local improvements	\$ 16,297,836	\$ 17,281,455

Local improvement receivables relate to construction and borrowing costs associated with local improvement projects which are recovered through annual special assessments during the period of the related borrowings. These amounts will be collected from the ratepayers over a period of 20 years.

6. Investments

	2017	2016
Term deposits	\$ 3,558,125	\$ 550,961
Lakeland Credit Union common shares	10,224	10,224
	\$ 3,568,349	\$ 561,185

Term deposits have effective interest rates of 1.30% to 2.24% (2016 – 1.05% to 2.15%) and maturity dates from March 2018 to January 2021.

Council has designated funds of \$3,558,125 (2016 - \$550,561) included in investments for capital replacement.

7. Deferred revenue

	2017	2016
Grants	\$ 4,548,288	\$ 2,682,946

Deferred grant revenue consists of funding received from MSI Capital (\$4,900), Regional Water Strategy Grant (\$216,027), Regional Waterline Grant (\$4,005,453), Inter Development Fund Grant (\$19,883), FCSS (\$54,765), Social Housing Grant (\$200,000) and \$47,260 of other deferred revenue. The use of these funds is restricted to eligible projects, as approved under the funding agreements. Unexpended funds related to the advance are supported by investments held exclusively for these projects (Note 3).

TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

8. Long-term debt

	2017	2016
Tax supported debentures	\$ 18,247,127	\$ 19,371,449

Principal and interest repayments are as follows:

	Principal	Interest	Total
2018	\$ 1,102,192	\$ 577,617	\$ 1,679,809
2019	1,129,575	538,788	1,668,363
2020	890,020	501,829	1,391,849
2021	918,510	473,338	1,391,848
2022	947,922	443,926	1,391,848
Thereafter	13,258,908	2,727,081	15,985,989
	<u>\$ 18,247,127</u>	<u>\$ 5,262,579</u>	<u>\$ 23,509,706</u>

The current portion of the long term debt amounts to \$1,102,192 (2016 - \$1,124,323).

Debenture debt is repayable to the Alberta Capital Finance Authority, Bonnyville Agricultural Society, and Beau Vista JV Inc. and bears interest at rates ranging from 0% to 9.25% per annum and matures in periods 2017 through 2036. The average annual interest rate is 3.23% for 2017 and 3.23% for 2016. For qualifying debentures, the Province of Alberta rebates 60% of interest in excess of 8%, 9%, and 11% to a maximum annual rate of 12.5%, depending on the date borrowed.

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

Interest on long-term debt amounted to \$616,178 (2016 - \$663,987).

The municipalities's total cash payments for interest in 2017 were \$619,787 (2016 - \$667,648).

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Notes to Consolidated Financial Statements
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9. 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.

During 2017, the Town made payments totaling \$691,037 (2016 - \$729,429) to the Beaver River Regional Waste Management Commission. Effective April 1, 2009, the municipality is under contract to the Commission to operate the Class III landfill and transfer station site.

The municipalities conducts ongoing environmental monitoring, site inspections and maintenance of the Class II landfill site which has already been closed. The Town has not designated assets for settling closure and post-closure liabilities of the new Class III site. The life expectancy of the new site is in excess of 40 years.

	<u>2017</u>
Estimated closure costs	\$ 3,101,852
Estimated post-closure costs	<u>160,196</u>
Estimated total liability	<u>\$ 3,262,048</u>

Accrued liability	\$ 335,772	\$ 222,391
Portion of total liability remaining to be recognized	\$ 2,926,276	\$ 3,039,657

TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2017

10. Debt limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the municipalities be disclosed as follows:

	2017	2016
Total debt limit	\$ 25,027,247	\$ 25,079,067
Total debt	(18,247,127)	(19,371,449)
Amount of debt limit unused	\$ 6,780,120	\$ 5,707,618
Debt servicing limit	\$ 4,171,208	\$ 4,179,845
Debt servicing	(1,679,809)	(1,743,780)
Amount of debt servicing limit unused	\$ 2,491,399	\$ 2,436,065

The debt limit is calculated at 1.5 times revenue of the municipalities (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipalities. Rather, the financial statements must be interpreted as a whole.

11. Equity in tangible capital assets

	2017	2016
Tangible capital assets (Schedule 2)	\$206,030,571	\$193,225,780
Accumulated amortization (Schedule 2)	(69,705,066)	(65,658,869)
Long term debt (Note 10)	(18,247,127)	(19,371,449)
	\$118,078,378	\$108,195,462

12. Accumulated surplus

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

	2017	2016
Unrestricted surplus	\$ 203,520	\$ 446,982
Restricted surplus		
Restricted operating surplus	18,910,398	19,448,148
Restricted capital surplus	6,266,586	8,405,880
Equity in tangible capital assets	118,078,378	108,195,462
	\$143,458,882	\$136,496,472

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Notes to Consolidated Financial Statements

Year Ended December 31, 2017

13. Segmented disclosure

The municipalities 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).

14. 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:

	2017		2016	
	Salary	Benefits & allowances (1)	Salary	Benefits & allowances (2)
Gene Sobolewski (Mayor)	\$ 76,843	\$ 3,113	\$ 79,956	\$ 71,960
Brian McEvoy	4,933	176	5,109	-
Jim Cheverie	25,403	915	26,318	33,602
John Irwin	23,698	841	24,539	33,065
Ray Prevost	32,615	329	32,944	36,014
Elisa Brosseau	8,087	298	8,385	-
Lorna Mae Storoschuk	45,309	1,741	47,050	39,012
Rene Van Brabant	29,823	1,122	30,945	30,224
Nestor Kunec	24,273	244	24,517	28,576
Chadwick Colbourne	8,702	325	9,027	-
CAO - Mark Power	173,663	-	173,663	207,895
Assistant CAO - Bill Rogers	125,302	26,789	152,091	147,852

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.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

TOWN OF BONNYVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2017

15. Local authorities pension plan

Employees of the municipality participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP 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 municipalities to the LAPP in 2017 were \$448,672 (2016 - \$451,296). Total current service contributions by the employees of the municipalities to the Local Authorities Pension Plan in 2017 were \$412,195 (2016 - \$414,742).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of \$637 million.

16. Commitment

The Town of Bonnyville is currently in the process of constructing a new Town office. The budget for this project is \$8.9 million. Construction was completed during 2018.

17. Contingent liability

As of December 31, 2017, the Town of Bonnyville had a legal claim initiated against them as a result of an incident that occurred at the rock climbing wall of the C2. The plaintiff is suing for general damages in the amount of \$250,000 and special damages in the amount of \$150,000. The Bonnyville and District Leisure Center (C2) and the Municipal District of Bonnyville No. 87 are also named in the lawsuit. This liability has not been recognized on the 2017 financial statements as there is insufficient knowledge on the outcome of the claim. Any liability resulting from the legal claim will be fully funded by insurance.

18. Financial instruments

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

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town 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.

TOWN OF BONNYVILLE

Notes to Consolidated Financial Statements

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19. Related party transactions

The Bonnyville & District Leisure Facility Corporation is a not-for-profit corporation established under the Business Corporations Act. The Town of Bonnyville owns 50% of the corporation with the remaining ownership held by the MD of Bonnyville. The total cost of the building to date is \$27,462,987 of which one-half is recorded as a capital asset for the Town of Bonnyville while the other one-half is held by the MD of Bonnyville.

The outstanding utility receivable of \$3,316 (2016 - \$3,457) from the Centennial Centre. The outstanding debenture totals \$476,151 (2016 - \$698,292). During the year, the Town contributed \$1,017,245 (2016 - \$1,017,245) to the Bonnyville & District Leisure Facility Corporation for the 2017 requisition and an additional \$nil (2016 - \$nil) to fund their 2017 operating deficit. Included in receivables is the 2017 over funding of \$59,957 (2016 - \$236,540).

20. Approval of financial statements

Council and Management have approved these financial statements.

21. Budget figures

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

22. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.