

TOWN OF BONNYVILLE
Annual Financial Statements
Year Ended December 31, 2019



WildeandCompany
Chartered Professional Accountants



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of Town of Bonnyville

Opinion

We have audited the consolidated financial statements of Town of Bonnyville (the Town), which comprise the statement of financial position at December 31, 2019 and statement of operations, change in net financial assets and cash flow 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 Town as at December 31, 2019, and its results of 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 Town 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 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 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town'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:

Independent Auditor's Report to the Reeve and Council of Town of Bonnyville *(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 Town'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 Town'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 Town 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
April 14, 2020

Chartered Professional Accountants

TOWN OF BONNYVILLE
Consolidated Statement of Financial Position
As at December 31, 2019

	2019	2018
Financial assets		
Cash (Note 4)	\$ 16,557,440	\$ 22,477,240
Receivables		
Taxes and grants in place of taxes receivable (Note 5)	1,135,876	1,379,423
Due from governments	19,602,574	5,356,199
Trade and other receivables	2,193,152	2,233,100
Local improvement receivable (Note 6)	14,271,676	15,317,311
Investments (Note 7)	317,305	577,629
	54,078,023	47,340,902
Liabilities		
Accounts payable and accrued liabilities (Note 8)	14,584,640	4,602,256
Deposit liabilities	443,272	434,922
Deferred revenue (Note 9)	13,472,619	16,952,780
Long term debt (Note 10)	16,015,359	17,144,934
	44,515,890	39,134,892
Net financial assets	9,562,133	8,206,010
Non-financial assets		
Tangible capital assets (Schedule 2)	200,028,174	141,824,554
Inventory	276,549	256,013
Prepaid expenses	26,119	67,822
	200,330,842	142,148,389
Accumulated surplus (Schedule 1)	\$ 209,892,975	\$ 150,354,399
Commitment (Note 18)		
Contingencies (Note 19)		

TOWN OF BONNYVILLE
Consolidated Statement of Operations
Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018
Revenues			
Net municipal taxes <i>(Schedule 3)</i>	\$ 7,864,682	\$ 7,843,096	\$ 7,791,976
Local improvements	-	(4,809)	48,977
Recreation local improvement	252,085	250,883	251,608
User fees and sales of goods	4,706,909	4,502,104	4,645,371
Government transfers for operating <i>(Schedule 4)</i>	2,604,151	2,087,450	2,440,666
Investment income	175,000	150,615	26,038
Penalties and costs on taxes	279,500	310,033	294,523
Loss on disposal of tangible capital assets	-	(41,459)	(18,180)
Other	1,924,040	1,923,716	2,152,892
	17,806,367	17,021,629	17,633,871
Expenses			
Administration and legislative	2,883,181	2,755,867	2,633,078
Protective services	2,583,198	2,471,244	2,559,861
Bylaw enforcement	276,606	249,325	83,872
Roads, streets, walks, lighting	6,020,570	6,241,596	5,524,362
Airport services	260,711	260,677	242,367
Water supply and distribution	2,299,958	2,012,444	2,065,858
Wastewater treatment and disposal	1,443,573	1,278,741	1,430,040
Waste management	1,556,159	1,316,327	1,473,598
Family and community support	847,060	813,308	869,344
Land use planning, zoning and development	440,527	326,462	387,226
Parks and recreation	3,112,961	2,954,081	3,383,416
Culture	523,426	507,646	393,317
	22,247,930	21,187,718	21,046,339
Excess of revenue over expenses - before other	(4,441,563)	(4,166,089)	(3,412,468)
Other			
Government transfers for capital <i>(Schedule 4)</i>	11,293,672	62,994,405	10,113,319
Contribution of capital received	-	62,302	-
Donations and funding for capital	2,270,745	647,958	194,666
Excess of revenues over expenses	9,122,854	59,538,576	6,895,517
Accumulated surplus - beginning of the year	150,354,399	150,354,399	143,458,882
Accumulated surplus - end of the year	\$ 159,477,253	\$ 209,892,975	\$ 150,354,399

TOWN OF BONNYVILLE**Consolidated Statement of Change in Net Financial Assets
Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018
Excess of revenues over expenses	\$ 9,122,854	\$ 59,538,576	\$ 6,895,517
Acquisition of tangible capital assets	(16,065,696)	(63,568,382)	(10,398,856)
Contributed tangible capital assets	-	(62,302)	-
Proceeds on disposal of tangible capital assets	-	85,221	19,200
Amortization of tangible capital assets	5,295,181	5,300,383	4,862,428
Loss on sale of tangible capital assets	-	41,459	18,180
	(10,770,515)	(58,203,621)	(5,499,048)
(Use) acquisition of supplies inventories	-	(20,536)	(56,076)
(Use) acquisition of prepaid assets	-	41,704	(10,232)
	-	21,168	(66,308)
Decrease (increase) in net financial assets	(1,647,661)	1,356,123	1,330,161
Net financial assets, beginning of year	8,206,010	8,206,010	6,875,849
Net financial assets, end of year	\$ 6,558,349	\$ 9,562,133	\$ 8,206,010

TOWN OF BONNYVILLE
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
Operating		
Excess of revenues over expenses	\$ 59,538,576	\$ 6,895,517
Net changes in non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	5,300,383	4,862,428
Contributed tangible capital assets	(62,302)	-
Loss on disposal of tangible capital assets	41,459	18,180
Net changes in non-cash charges to operation:		
Increase in taxes and grants in lieu receivable	243,547	(266,952)
Increase in government receivables	(14,246,375)	(401,412)
Decrease (increase) in trade and other receivables	39,948	79,654
Decrease in local improvements receivable	1,045,635	980,525
(Increase) decrease in inventory	(20,536)	(56,076)
(Increase) decrease in prepaid expenses	41,703	(10,231)
Increase in accounts payable and accrued liabilities	9,982,385	227,220
Decrease in trust liabilities	-	(56,531)
Decrease in deposit liabilities	8,350	(18,491)
Increase in deferred revenues	(3,480,161)	12,404,492
<i>Cash provided by operating transactions</i>	58,432,612	24,658,323
Capital		
Acquisition of tangible capital assets	(63,568,382)	(10,398,856)
Proceeds from sale of tangible capital assets	85,221	19,200
<i>Cash applied to capital transactions</i>	(63,483,161)	(10,379,656)
Investing		
Increase in restricted cash or cash equivalents	3,480,161	(12,347,961)
Decrease (increase) in investments	260,324	2,990,720
<i>Cash provided by (applied to) investing transactions</i>	3,740,485	(9,357,241)
Financing		
Long term debt repaid	(1,129,575)	(1,102,193)
<i>Cash applied to financing transactions</i>	(1,129,575)	(1,102,193)
Change in cash and cash equivalents during the year	(2,439,639)	3,819,233
Cash and cash equivalents, beginning of year	5,524,460	1,705,227
Cash and cash equivalents, end of year	\$ 3,084,821	\$ 5,524,460
Cash and cash equivalents is made up of:		
Cash (Note 4)	\$ 16,557,440	\$ 22,477,240
Less: restricted portion of cash (Note 4)	(13,472,619)	(16,952,780)
	\$ 3,084,821	\$ 5,524,460

TOWN OF BONNYVILLE**(Schedule 1)****Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2019**

					2019	2018
	Unrestricted Surplus	Restricted Operating Reserves	Restricted Capital Reserves	Equity in Tangible Capital Assets	\$	\$
Balance, beginning of year	29,537	18,685,362	6,959,880	124,679,620	150,354,399	143,458,882
Excess of revenues over expenses	59,538,576	-	-	-	59,538,576	6,895,517
Unrestricted funds designated for future use	(169,827)	(637,668)	807,495	-	-	-
Capital debt repayment	(1,129,575)	-	-	1,129,575	-	-
Current year funds used for tangible capital assets	(63,568,382)	-	-	63,568,382	-	-
Contributed asset received	(62,302)	-	-	62,302	-	-
Capital debt issued	-	-	-	-	-	-
Disposal of tangible capital assets	126,681	-	-	(126,681)	-	-
Annual amortization expense	5,300,383	-	-	(5,300,383)	-	-
	35,554	(637,668)	807,495	59,333,195	59,538,576	6,895,517
Balance, end of year	65,091	18,047,694	7,767,375	184,012,815	209,892,975	150,354,399

TOWN OF BONNYVILLE
Schedule of Tangible Capital Assets
Year Ended December 31, 2019

(Schedule 2)

							2019	2018
							\$	\$
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles		
Cost:								
Balance, beginning of year	11,005,684	5,947,180	42,492,842	145,702,724	7,570,171	3,063,194	215,781,795	206,030,571
Acquisition of tangible capital assets	-	203,423	559,595	62,469,082	360,932	37,652	63,630,684	10,398,856
Contributed tangible capital assets								
Disposal of tangible capital assets	(24,490)	-	-	(153,867)	(383,172)	(111,590)	(673,119)	(647,632)
Balance, end of year	10,981,194	6,150,603	43,052,437	208,017,939	7,547,931	2,989,256	278,739,360	215,781,795
Accumulated amortization:								
Balance, beginning of year	-	3,233,013	12,699,142	52,674,222	3,360,851	1,990,013	73,957,241	69,705,066
Annual amortization	-	256,543	899,064	3,487,596	503,273	153,907	5,300,383	4,862,428
Accumulated amortization on disposals	-	-	-	(136,993)	(307,854)	(101,591)	(546,438)	(610,253)
Balance, end of year	-	3,489,556	13,598,206	56,024,825	3,556,270	2,042,329	78,711,186	73,957,241
Net Book Value of tangible capital assets	10,981,194	2,661,047	29,454,231	151,993,114	3,991,661	946,927	200,028,174	141,824,554
2018 Net Book Value of tangible capital assets	11,005,684	2,714,167	29,793,700	93,028,502	4,209,320	1,073,181		141,824,554

TOWN OF BONNYVILLE
Schedule of Property and Other Taxes
Year Ended December 31, 2019

(Schedule 3)

	Budget (Unaudited)	2019	2018
Taxation			
Real property taxes	\$ 11,283,089	\$ 11,226,470	\$ 11,296,617
Government grants in place of property taxes	57,258	55,965	57,961
	11,340,347	11,282,435	11,354,578
Requisitions			
Alberta School Foundation Fund	3,387,324	3,351,180	3,468,826
Lakeland Seniors Foundation	88,341	88,159	93,776
	3,475,665	3,439,339	3,562,602
Net municipal taxes	\$ 7,864,682	\$ 7,843,096	\$ 7,791,976

TOWN OF BONNYVILLE
Schedule of Government Transfers
Year Ended December 31, 2019

(Schedule 4)

	Budget (Unaudited)	2019	2018
Transfers for operating			
Provincial Government	\$ 823,916	\$ 881,496	\$ 1,070,878
Other Local Governments	1,780,235	1,205,954	1,369,788
	2,604,151	2,087,450	2,440,666
Transfers for Capital			
Provincial Government	9,550,785	61,835,366	8,410,751
Other Local Governments	1,742,887	1,159,039	1,702,568
	11,293,672	62,994,405	10,113,319
Total government transfers	\$ 13,897,823	\$ 65,081,855	\$ 12,553,985

TOWN OF BONNYVILLE**(Schedule 5)****Schedule of Consolidated Expenses by Object****Year Ended December 31, 2019**

	Budget (Unaudited)	2019	2018
Consolidated Expenses by Object			
Salaries, wages and benefits	\$ 6,657,257	\$ 5,978,670	\$ 5,941,667
Contracted and general services	5,570,276	5,442,565	5,653,376
Materials, goods, supplies and utilities	2,837,317	2,557,271	2,736,836
Transfers to individuals and organizations	1,292,302	1,366,281	1,276,321
Bank charges and short term interest	5,000	7,111	1,379
Amortization of tangible capital assets	5,295,181	5,300,383	4,862,428
Interest on long term debt	590,597	535,437	574,332
	\$ 22,247,930	\$ 21,187,718	\$ 21,046,339

TOWN OF BONNYVILLE
Schedule of Segmented Disclosure
Year Ended December 31, 2019

(Schedule 6)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	Total \$
Revenue								
Net municipal taxes	7,843,096	-	-	-	-	-	-	7,843,096
Local improvements	(4,809)	-	-	-	-	-	-	(4,809)
Recreation local improvement	-	-	-	-	250,883	-	-	250,883
Government transfers	184,066	576,716	2,249,431	-	622,718	60,700,435	748,489	65,081,855
User fees and sales of goods	(17,531)	40,258	49,263	48,847	172,824	4,186,408	22,035	4,502,104
Investment income	150,615	-	-	-	-	-	-	150,615
Other revenues	1,498,454	246,038	216,021	136,147	163,486	607,655	34,749	2,902,550
	9,653,891	863,012	2,514,715	184,994	1,209,911	65,494,498	805,273	80,726,294
Expenses								
Contracted and general services	968,491	1,870,406	1,078,796	40,491	190,404	1,134,250	159,727	5,442,565
Salaries, wages and benefits	1,409,262	339,207	1,108,483	283,060	1,103,281	1,273,780	461,597	5,978,670
Materials, goods, supplies and utilities	52,870	80,225	1,180,789	1,321	302,592	847,788	91,686	2,557,271
Transfers to local boards and agencies	95,859	50,000	-	-	1,156,460	-	63,962	1,366,281
Interest on long term debt	-	131,364	369,008	-	8,037	27,028	-	535,437
Other expenses	7,111	-	-	-	-	-	-	7,111
	2,533,593	2,471,202	3,737,076	324,872	2,760,774	3,282,846	776,972	15,887,335
Net revenue before amortization	7,120,298	(1,608,190)	(1,222,361)	(139,878)	(1,550,863)	62,211,652	28,301	64,838,959
Amortization of tangible capital assets	222,274	249,367	2,851,459	1,590	700,953	1,238,404	36,336	5,300,383
Net revenue	6,898,024	(1,857,557)	(4,073,820)	(141,468)	(2,251,816)	60,973,248	(8,035)	59,538,576
 Net revenue - 2018	 7,555,829	 (1,901,427)	 (498,385)	 (80,795)	 (1,974,730)	 3,814,894	 (19,869)	 6,895,517

TOWN OF BONNYVILLE

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 corporation are the following:

Town of Bonnyville Waterworks System

Town of Bonnyville Library Board

Town of Bonnyville Waste Disposal

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, 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
- Inventory valuation
- Local improvements receivable
- Landfill (closure and post closure) liability

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.

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.

(*continues*)

TOWN OF BONNYVILLE
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.

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TOWN OF BONNYVILLE
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 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

b) Contributions of tangible capital assets

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

c) Leases

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

d) Inventories

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

e) Cultural and historical tangible capital assets

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

TOWN OF BONNYVILLE

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 standards 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.

TOWN OF BONNYVILLE**Notes to Consolidated Financial Statements****Year Ended December 31, 2019****4. Cash and temporary investments**

	2019	2018
Cash	\$ 16,557,440	\$ 22,477,240

Included in cash is a restricted amount of \$13,472,619 (2018 - \$16,952,780) received from grants which are held exclusively for restrictive purposes (Note 9).

Council has designated funds of \$7,460,320 (2018 - \$6,392,500) included in the above amounts for capital replacement.

The bank account has an overdraft authorized to \$2,500,000 and bears interest at prime less 0.25%. Prime rate was 3.95% at December 31, 2019.

5. Taxes and grants in place of taxes receivable

	2019	2018
Current taxes and grants in place of taxes	\$ 578,178	\$ 735,547
Arrears taxes	557,698	670,836
	1,135,876	1,406,383
Less: allowance for doubtful accounts	-	(26,960)
	\$ 1,135,876	\$ 1,379,423

6. Local improvement receivable

	2019	2018
Local improvements	\$ 14,271,676	\$ 15,317,311

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.

TOWN OF BONNYVILLE**Notes to Consolidated Financial Statements****Year Ended December 31, 2019****7. Investments**

	2019	2018
Credit Union term deposits	\$ 168,568	\$ 301,301
ATB Financial term deposits	138,487	266,079
Lakeland Credit Union common shares	10,250	10,249
	\$ 317,305	\$ 577,629

Credit Union term deposits have effective interest rates of 1.45% to 2.24% (2018 - 1.25% to 2.24%) and maturity dates from May 2020 to December 2022. ATB Financial term deposits have an effective interest rate of 2.49% (2018 - 2.41%) with a maturity date of May 2021.

Council has designated funds of \$307,055 (2018 - \$567,380) included in investments for capital replacement.

8. Accounts payable and accrued liabilities

	2019	2018
Trade accounts payable and accrued liabilities	\$ 13,482,331	\$ 3,633,973
Landfill closure and post closure liability	567,002	450,636
Accrued wages	535,307	517,647
	\$ 14,584,640	\$ 4,602,256

9. Deferred revenue

	2019	2018
Water For Life Grant	\$ 9,044,233	\$ 13,031,717
Improvement District No. 349 Grant	-	2,952,897
Municipal Sustainability Initiative Grant	164,119	424,780
Federal Gas Tax Fund Grant	-	175,293
Implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)	771,382	-
Inter-Municipal Cooperation Program	2,181,298	-
Social Housing Grant	60,911	115,161
Alberta Community Partnership Grants	166,342	180,390
Other deferred revenue	1,084,334	72,542
	\$ 13,472,619	\$ 16,952,780

Funding received from the various grant programs noted above are restricted to the eligible operating and capital projects as approved in the funding agreements. Unexpended funds related to the funding advances are supported by restricted cash of \$13,472,619 held exclusively for these projects (Note 3).

TOWN OF BONNYVILLE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

10. Long-term debt

	2019	2018
Tax supported debentures	\$ 16,015,359	\$ 17,144,934

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	\$ 890,020	\$ 501,829	\$ 1,391,849
2021	918,511	473,338	1,391,849
2022	947,922	443,926	1,391,848
2023	978,286	413,562	1,391,848
2024	1,009,633	382,216	1,391,849
Thereafter	11,270,987	1,931,303	13,202,290
	<u>\$ 16,015,359</u>	<u>\$ 4,146,174</u>	<u>\$ 20,161,533</u>

The current portion of the long term debt amounts to \$890,020 (2018 - \$1,129,575).

Debenture debt is repayable to the Alberta Capital Finance Authority and Beau Vista JV Inc. and bears interest at rates ranging from 0% to 4.124% per annum and matures in periods 2019 through 2036. The average annual interest rate is 3.15% for 2019 and 3.23% for 2018. 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 \$535,437 (2018 - \$574,332).

The municipalities total cash payments for interest in 2019 were \$538,788 (2018 - \$577,617).

TOWN OF BONNYVILLE**Notes to Consolidated Financial Statements****Year Ended December 31, 2019****11. 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	\$ 25,532,444	\$ 26,450,807
Total debt	16,015,359	17,144,934
Amount of debt limit unused	\$ 9,517,085	\$ 9,305,873
Debt servicing limit	\$ 4,255,407	\$ 4,408,468
Debt servicing	1,391,849	1,668,363
Amount of debt servicing limit unused	\$ 2,863,558	\$ 2,740,105

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.

TOWN OF BONNYVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2019

12. 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 2019, the Town made payments totalling \$560,823 (2018 - \$672,056) 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 municipality conducts ongoing environmental monitoring, site inspections and maintenance of Class II landfill site which has already been closed. The Town has not designated assets for setting closure and post-closure liabilities of the new Class III site. The life expectancy of the new site is in excess of 40 years.

	2019	2018
Estimated closure costs	\$ 3,101,852	\$ 3,101,852
Estimated post-closure costs	160,196	160,196
Estimated total liability	\$ 3,262,048	\$ 3,262,048
Accrued liability	\$ 567,002	\$ 450,636
Portion of total liability remaining to be recognized	\$ 2,695,046	\$ 2,811,412

13. Equity in tangible capital assets

	2019	2018
Tangible capital assets (Schedule 2)	\$278,739,360	\$215,781,795
Accumulated amortization (Schedule 2)	(78,711,186)	(73,957,241)
Long-term debt (Note 9)	(16,015,359)	(17,144,934)
	\$184,012,815	\$124,679,620

TOWN OF BONNYVILLE**Notes to Consolidated Financial Statements****Year Ended December 31, 2019**

14. Accumulated surplus

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

	2019	2018
Unrestricted surplus (deficit)	\$ 65,091	\$ 29,537
Restricted surplus		
Restricted operating surplus	18,047,694	18,685,362
Restricted capital surplus	7,767,375	6,959,880
Equity in tangible capital assets	184,012,815	124,679,620
	\$209,892,975	\$150,354,399

15. 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).

TOWN OF BONNYVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2019

16. 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	Benefits & allowances (1)		Total
Gene Sobolewski (Mayor)	\$ 89,256	\$ 3,329	\$ 92,585	\$ 91,709
Brian McEvoy	36,927	1,853	38,780	26,995
Ray Prevost	31,662	200	31,862	32,152
Elisa Brosseau	42,929	2,199	45,128	39,838
Lorna Mae Storoschuk	47,362	2,454	49,816	47,860
Rene Van Brabant	29,532	1,427	30,959	34,894
Chadwick Colbourne	39,502	2,017	41,519	41,934
CAO - Mark Power	168,708	-	168,708	175,619
Assistant CAO - Bill Rogers	132,769	25,368	158,137	157,106
	\$ 618,647	\$ 38,847	\$ 657,494	\$ 648,107

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.

17. 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 \$385,264 (2018 - \$428,503). Total current service contributions by the employees of the municipality to the Local Authorities Pension Plan in 2019 were \$347,797 (2018 - \$390,644).

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

TOWN OF BONNYVILLE

Notes to Consolidated Financial Statements

Year Ended December 31, 2019

18. Commitments

The Town of Bonnyville is the guarantor on a loan for the Bonnyville & District Sports and Recreation Society. The loan is to fund operations of the Junior A Pontiac's hockey club. The loan had a balance of \$87,908 as of December 31, 2019 (2018 - \$95,809).

The Town of Bonnyville is the guarantor on a loan for the Bonnyville Bingo Association. The loan is to fund renovations to the building that the association is leasing. The loan was initially disbursed at \$140,000 and had a balance of \$129,683 as of December 31, 2019.

The Town of Bonnyville has a commitment with the Bonnyville Regional Water Services Commission ("the Commission") to fund a portion of the project to build the water line. The total project cost is estimated at \$96,400,000 of which \$3,234,161 is for the Cold Lake First Nations and is funded 100% by government grants. The remaining balance is funded 90% by the province and 10% by the Town of Bonnyville and Municipal District of Bonnyville No. 87. The Town of Bonnyville is responsible for 80.2% of the 10% and the Municipal District of Bonnyville No. 87 is responsible for the remaining portion.

The Town of Bonnyville is managing the project for the Bonnyville Regional Water Services Commission as the organization was not established until late 2018. Council has committed to transferring water line assets of \$58,379,958 and deferred revenue of \$11,885,550 to the Commission in 2020.

19. Contingent liabilities

The Town of Bonnyville was named as a defendant in a lawsuit where Urlacher Construction Ltd. is suing 683416 Alberta Ltd. of contract to pay for services to complete a land development project. The plaintiff is suing for \$60,156 in damages. This liability has not been recognized on the 2018 financial statements as there is insufficient knowledge on the outcome of this claim. Any liability resulting from the legal claim will be fully funded by insurance.

20. Financial instruments

The Town'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 Town is not exposed to significant interest or currency risk arising from these financial instruments.

The Town 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 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

Year Ended December 31, 2019

21. 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 \$3,573 (2018 - \$5,893) from the Centennial Centre. The outstanding debenture was paid off in 2019 (2018 - \$243,551). During the year, the Town contributed \$945,648 (2018 - \$945,648) to the Bonnyville & District Leisure Facility Corporation for the 2019 requisition. Included in the receivables is the 2019 over funding of \$9,869 (2018 - \$6,890).

22. Approval of financial statements

Council and Management have approved these financial statements.

23. Budget amounts

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