

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2015

TOWN OF SMOKY LAKE
Index to Consolidated Financial Statements
Year Ended December 31, 2015

	Page
INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Operations	3 - 4
Consolidated Statement of Changes in Net Financial Assets	5
Consolidated Statement of Cash Flows	6
Consolidated Schedule of Property and Other Taxes (<i>Schedule 1</i>)	7
Consolidated Schedule of Government Transfers (<i>Schedule 2</i>)	7
Consolidated Schedule of Expenditures by Object (<i>Schedule 3</i>)	8
Consolidated Schedule of Segmented Disclosure (<i>Schedule 4</i>)	9
Consolidated Schedule of Changes in Accumulated Surplus (<i>Schedule 5</i>)	10
Notes to Consolidated Financial Statements	11 - 21

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Smoky Lake

We have audited the accompanying consolidated financial statements of Town of Smoky Lake, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our 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 Smoky Lake as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Edmonton, Alberta
April 22, 2016

Seniuk & Company

Seniuk and Company
Chartered Accountants

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 839,344	\$ 893,082
Current taxes and grants in place of taxes <i>(Note 3)</i>	155,891	189,442
Grants and receivables from other governments <i>(Note 4)</i>	506,203	552,670
Trade and other receivables	333,414	286,107
Local improvement taxes receivable	31,668	38,001
Land held for resale	81,814	88,108
	\$ 1,948,334	\$ 2,047,410
LIABILITIES		
Accounts payable	\$ 235,910	\$ 329,683
Deposit liabilities	5,250	12,500
Deferred income <i>(Note 6)</i>	829,429	884,932
Long term debt <i>(Note 8)</i>	303,146	390,051
Provision for landfill and remediation costs <i>(Note 13)</i>	251,187	289,211
	1,624,922	1,906,377
NET FINANCIAL ASSET (DEBT)	323,412	141,033
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 5)</i>	7,190,114	6,742,096
Prepaid expenses	36,245	36,049
Inventory for consumption	77,952	80,275
	7,304,311	6,858,420
ACCUMULATED SURPLUS	\$ 7,627,723	\$ 6,999,453

CONTINGENT LIABILITIES *(Note 17)*

On behalf of Council

_____ *Councilor*

_____ *Councilor*

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Operations
Year Ended December 31, 2015

	Budget (Unaudited) 2015	2015	2014
REVENUE			
Net municipal taxes (Schedule 1)	\$ 981,550	\$ 981,588	\$ 975,991
User fees and sale of goods	2,241,300	2,139,722	2,254,632
Government transfers for operating	199,314	247,966	136,289
Investment income	3,500	4,014	10,746
Penalties and costs of taxes	30,000	40,676	39,022
Licenses and permits	7,200	6,685	7,354
Rentals	48,000	2,400	4,825
Franchise fees & concession contracts	50,000	53,053	51,214
Other	84,400	60,321	87,425
Total revenue	3,645,264	3,536,425	3,567,498
EXPENSES			
Administration and legislative	482,068	524,426	478,709
Bylaw enforcement	9,500	1,846	9,260
Family and community support	170,696	104,225	64,956
Fire service	74,700	53,075	78,143
Gas service	991,450	521,746	874,758
Land use planning, zoning and development	119,300	37,923	13,913
Libraries, museums and halls	32,650	32,621	32,424
Parks and recreation	146,500	128,097	152,748
Roads, streets, walks and lighting	581,500	634,094	639,326
Waste management	292,900	273,758	294,937
Wastewater treatment and disposal	73,450	48,667	52,321
Water supply and distribution	670,550	561,979	528,341
Total operating expenses	3,645,264	2,922,457	3,219,836
Excess (deficiency) of revenue over expenses before other	-	613,968	347,662

(continues)

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Operations *(continued)*
Year Ended December 31, 2015

	Budget (Unaudited) 2015	2015	2014
OTHER INCOME (EXPENSES)			
Government transfers for capital	-	367,379	384,051
Loss on disposal of assets	-	-	(29,610)
Amortization of legislative assets	-	(353,077)	(325,915)
	-	14,302	28,526
EXCESS OF REVENUE OVER EXPENSES	-	628,270	376,188
ACCUMULATED SURPLUS, BEGINNING OF YEAR	6,999,453	6,999,453	6,623,265
ACCUMULATED SURPLUS, END OF YEAR	\$ 6,999,453	\$ 7,627,723	\$ 6,999,453

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2015

	2015	2014
Excess of revenue over expenses	\$ 628,270	\$ 376,188
Acquisition of tangible capital assets	(801,098)	(592,407)
Proceeds on disposal of tangible capital assets	-	212,223
Amortization of tangible capital assets	353,077	325,915
(Gain) loss on disposal of assets	-	29,610
	(448,021)	(24,659)
Use of inventory	2,324	\$ (8,332)
Use of prepaids	2,130	\$ 2,890
(INCREASE) DECREASE IN NET DEBT	182,379	346,087
Net financial assets (debt), beginning of year	141,033	(205,054)
NET ASSETS - END OF YEAR	\$ 323,412	\$ 141,033

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 628,270	\$ 376,188
Items not affecting cash:		
Loss on disposal of assets	-	29,610
Amortization	353,077	325,915
	981,347	731,713
Changes in non-cash working capital:		
Trade and other receivables	(47,307)	37,656
Current taxes and grants in place of taxes	33,551	12,063
Inventory for consumption	2,323	(8,332)
Land held for resale	6,294	-
Grants and receivables from other governments	46,467	(547,298)
Accounts payable	(93,769)	(206,755)
Deferred income	(55,503)	236,889
Prepaid expenses	(196)	2,890
Local improvement taxes receivable	6,333	(6,150)
Deposits received	(7,250)	5,700
Provision for landfill and remediation costs	(38,024)	(30,789)
	(147,081)	(504,126)
Cash flow from operating activities	834,266	227,587
INVESTING ACTIVITIES		
Purchase of capital assets	(801,098)	(592,407)
Proceeds on disposal of capital assets	-	212,223
Cash flow used by investing activities	(801,098)	(380,184)
FINANCING ACTIVITY		
Repayment of long term debt	(86,906)	(84,853)
DECREASE IN CASH FLOW	(53,738)	(237,450)
Cash - beginning of year	893,082	1,130,532
CASH - END OF YEAR (Note 2)	\$ 839,344	\$ 893,082

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Property and Other Taxes

(Schedule 1)

Year Ended December 31, 2015

	Budget (Unaudited) 2015	2015	2014
TAXATION			
Real property tax	\$ 1,299,025	\$ 1,292,729	\$ 1,291,824
Special assessments	-	6,334	13,653
	1,299,025	1,299,063	1,305,477
REQUISITIONS			
Alberta School Foundation	251,665	251,665	251,610
Seniors' housing requisition	65,810	65,810	77,876
	317,475	317,475	329,486
NET MUNICIPAL TAXES	\$ 981,550	\$ 981,588	\$ 975,991

Consolidated Schedule of Government Transfers

(Schedule 2)

Year Ended December 31, 2015

	Budget (Unaudited) 2015	2015	2014
TRANSFERS FOR OPERATING			
Provincial Government	\$ 199,314	\$ 247,966	\$ 136,289
	199,314	247,966	136,289
TRANSFERS FOR CAPITAL			
Provincial Government	-	367,379	384,051
TOTAL GOVERNMENT TRANSFERS	\$ 199,314	\$ 615,345	\$ 520,340

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE**Consolidated Schedule of Expenditures by Object****(Schedule 3)****Year Ended December 31, 2015**

	Budget (Unaudited) 2015	2015	2014
EXPENSES			
Salaries, wages & benefits	\$ 1,028,900	\$ 935,271	\$ 980,066
Contracted and general services	1,191,444	1,097,666	1,001,626
Materials, goods and utilities	995,944	712,572	1,061,025
Transfer to local boards and agencies	41,650	37,256	40,878
Interest on long term	182,100	137,692	135,512
Provision for allowances	2,000	2,000	729
Total Consolidated Expenditures by Object	\$ 3,442,038	\$ 2,922,457	\$ 3,219,836

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

**Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2015**

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2015
REVENUE								
Net municipal taxes	\$ 981,588	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 981,588
Government transfers	4,807	-	487,237	-	-	47,022	76,279	615,345
User fees and sales of goods	22,515	-	148,868	44,000	19,829	1,903,493	1,017	2,139,722
Investment income	4,014	-	-	-	-	-	-	4,014
Other revenues	121,815	20,684	300	-	-	18,625	1,711	163,135
	1,134,739	20,684	636,405	44,000	19,829	1,969,140	79,007	3,903,804
EXPENSES								
Contract & general services	209,957	20,991	39,519	28,995	71,276	645,311	81,616	1,097,665
Salaries & wages	275,841	15,058	372,123	150	41,169	230,930	-	935,271
Materials, goods & utilities	30,757	18,872	226,947	-	15,652	397,736	22,608	712,572
Transfers to local boards	4,635	-	-	-	32,621	-	-	37,256
Long term debt interest	1,237	-	-	8,778	-	127,678	-	137,693
Other expenses	2,000	-	-	-	-	-	-	2,000
	524,427	54,921	638,589	37,923	160,718	1,401,655	104,224	2,922,457
Excess (deficiency) of revenue over expenses before other	610,312	(34,237)	(2,184)	6,077	(140,889)	567,485	(25,217)	981,347
OTHER EXPENSE								
Amortization	7,076	25,689	174,845	668	10,592	134,207	-	353,077
EXCESS OF REVENUE OVER EXPENSES	\$ 603,236	\$ (59,926)	\$ (177,029)	\$ 5,409	\$ (151,481)	\$ 433,278	\$ (25,217)	\$ 628,270

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

**Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2015**

(Schedule 5)

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2015	Total 2014
BALANCE, BEGINNING OF YEAR	\$ (58,912)	\$ 706,323	\$ 6,352,042	\$ 6,999,453	\$ 6,623,265
Excess (deficiency) of revenues over expenses	628,270	-	-	628,270	376,188
Current year funds used for tangible capital assets	(801,098)	-	801,098	-	-
Annual amortization expense	353,077	-	(353,077)	-	-
Principle repayments on long term debt	(86,906)	-	86,906	-	-
Net transfers to/from reserves	10,000	(10,000)	-	-	-
	103,343	(10,000)	534,927	628,270	376,188
BALANCE, END OF YEAR	\$ 44,431	\$ 696,323	\$ 6,886,969	\$ 7,627,723	\$ 6,999,453

Note: The net book value of the tangible capital assets at year end, less related debt, represents the amount of equity in tangible capital assets. Please see Note 10 for details.

TOWN OF SMOKY LAKE

Notes to Consolidated Financial Statements

Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Smoky Lake are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the Town of Smoky Lake (the "Town"). The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Town of Smoky Lake Fire Department

Town of Smoky Lake Mineral Rights Development Company Ltd.

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.

Tax Revenue

Annually, the Town bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by Town Council in accordance with legislation and Town Council approved policies to raise the tax revenue required to meet the Town's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Schedule of Property and Other Taxes.

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TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The Town also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Consolidated Schedule of Property and Other Taxes (Schedule 1).

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

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.

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 leveling 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.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Inventory for Consumption

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

Prepaid Local Improvement Charges

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

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowings, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

Landfill Closure and Post-Closure Liability

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

Contaminated Sites Liability

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

Government Transfers

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

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

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.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Liability for Remediation Costs

The Town provides for remediation costs on its gas properties that are no longer in productive use, based on current legislation and industry operating practices. A liability for remediation costs related to gas properties is recognized as a liability in the period in which they are incurred. Remediation costs are measured at management's best estimate of the expenditures required to settle the obligation as at the date of the balance sheet net of expected recoveries. Actual costs incurred upon settlement of the remediation costs are charged against the liability.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	15 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Engineered structures - Gas	36 years
Engineered structures - Roadways	5 - 40 years
Engineered structures - Water system	45 - 75 years
Engineered structures - Wastewater system	40 - 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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.

Cultural and Historical Tangible Capital Assets

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

2. CASH AND TEMPORARY INVESTMENTS

	2015	2014
Cash	\$ 273,511	\$ 325,759
Term deposits	-	94,218
Restricted cash related to municipal grants	424,277	348,959
Restricted cash related to decommissioning of gas wells	141,556	124,146
	\$ 839,344	\$ 893,082

Temporary investments are short-term deposits with maturities of one year or less.

Included in cash are restricted amounts received from the Municipal grants and are held exclusively for future approved projects (Note 6) and cash restricted for the future decommissioning of gas wells.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

3. TAXES RECEIVABLES

Taxes receivable are comprised of:

	2015	2014
Current taxes and grants in place of taxes	\$ 16,398	\$ 81,744
Arrears taxes and grants in place of taxes	139,493	131,798
Sub-total	155,891	213,542
Allowance for doubtful accounts	-	(24,100)
	\$ 155,891	\$ 189,442

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2015	2014
Municipal Sustainability Initiative - Capital	\$ 385,371	\$ 463,649
Municipal Sustainability Initiative - Operating	67,113	65,926
Other government receivables	-	1,942
Subtotal	452,484	531,517
Goods and Services Tax Recoverable	53,719	21,153
	\$ 506,203	\$ 552,670

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land	\$ 567,547	\$ -	\$ 567,547	\$ 567,547
Land improvements	225,318	144,176	81,142	63,522
Buildings	567,967	182,119	385,848	399,860
Machinery and equipment	1,648,307	1,011,271	637,036	633,055
Motor vehicles	496,831	277,477	219,354	251,666
Engineered structures - roadways	5,114,961	3,516,756	1,598,205	1,179,486
Engineered Structures - Sidewalks	1,152,190	1,092,652	59,538	76,576
Engineered Structures - Sewer	2,699,332	1,621,057	1,078,275	923,094
Engineered Structures - Water	4,090,381	1,624,033	2,466,348	2,513,888
Engineered Structures - Gas	1,311,367	1,214,546	96,821	107,222
Assets under construction	-	-	-	26,180
	\$ 17,874,201	\$ 10,684,087	\$ 7,190,114	\$ 6,742,096

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

6. DEFERRED REVENUE

Deferred revenue is comprised of:

	2015	2014
Municipal Sustainability Initiative - Capital	\$ 641,759	\$ 646,866
Municipal Sustainability Initiative - Operating	1,173	105,247
Federal Gas Tax Fund	92,172	91,747
Family and Community Support Services Grant	72,276	30,809
Other deferred revenue	4,423	4,423
Prepaid property taxes	17,626	5,840
	\$ 829,429	\$ 884,932

Municipal Sustainability Initiative - Capital

The Municipal Sustainability Initiative - Capital is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to the advance (net of grants receivable) are supported by restricted cash held exclusively for these projects (refer to Note 2).

Municipal Sustainability Initiative - Operating

The Municipal Sustainability Initiative - Operating is restricted to eligible operating expenses, as approved under the funding agreement. Unexpended funds related to the advance (net of grants receivable) are supported by restricted cash held exclusively for these projects (refer to Note 2).

Federal Gas Tax Fund

The Federal Gas Tax Fund is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

Family and Community Support Services Grant

The Family and Community Support Services Grant is restricted to the community coalition project approved under the funding agreement. Unexpended funds related to the advance are supported by restricted cash held exclusively for this project (refer to Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

Included in accounts payable are employee benefit obligations of:

	2015	2014
Vacation and overtime	\$ 6,464	\$ 80,693

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

8. LONG TERM DEBT

	2015	2014
Alberta Capital Finance Authority loan bearing interest at 4.525% per annum, repayable in annual blended payments of \$49,601. The loan matures on March 16, 2016 and is secured by the credit and security of the Town at large.	\$ 24,252	\$ 71,157
ATB Financial loan bearing interest at 3% per annum, repayable in annual blended payments of \$50,668. The loan matures on October 31, 2023 and is secured by the credit and security of the Town at large.	278,894	318,894
	\$ 303,146	\$ 390,051

Principal reductions over the next 5 years are approximately:

2016	\$ 64,252
2017	40,000
2018	40,000
2019	40,000
2020	40,000
Thereafter	<u>78,894</u>
	\$ 303,146

Interest on long-term debt amounted to \$67,385 (2014 - \$59,499)

9. 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 Town of Smoky Lake be disclosed as follows:

	2015	2014
Total debt limit	\$ 5,304,638	\$ 5,380,289
Total debt	(336,480)	(384,218)
Amount of debt limit unused	4,968,158	4,996,071
Debt servicing limit	884,106	896,715
Debt servicing	(83,448)	(109,878)
Amount of debt servicing limit unused	\$ 800,658	\$ 786,837

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

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

10. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2015	2014
Tangible capital assets (Note 5)	\$ 17,874,201	\$ 17,089,379
Accumulated amortization (Note 5)	(10,684,087)	(10,347,285)
Long term debt (Note 8)	(303,146)	(390,052)
	\$ 6,886,968	\$ 6,352,042

11. SEGMENTED DISCLOSURE

The Town of Smoky Lake 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 4).

12. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, 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.

Credit risk

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

Fair value

The Town's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Town for debt with similar terms.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

13. COMMITMENTS AND CONTINGENT LIABILITIES

a) Alberta Municipal Insurance Exchange

The Town is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

b) Loan Guarantee

The Town has provided a loan guarantee to a maximum amount of \$175,000 to the Smoky Lake Agricultural Society (the "Society"). In the event the the Society is unable to satisfy its debt the Town will be required to repay 50% of the loan. At the end of the current year, the loan outstanding is \$66,668 (2014 - \$90,001). This amount has been included in the Debt Limit calculation.

c) Highway 28/63 Regional Water Commission

The Town has entered into an agreement with the Highway 28/63 Regional Water Services Commission (lithe Commission ") to provide water services. The members of the Commission are the County of Thorhild No.7, Smoky Lake County, the Town, and the Villages of Vilna and Waskatenau.

The Commission accessed the Government of Alberta Water for Life grant program to cover 90% of the water pipeline construction costs. The remaining 10% was financed partially by debenture financing of \$1.9 million. Pursuant to the Commission Business Plan dated December 2010, repayment of the debenture costs will be the responsibility of the individual Commission members and is based on the percentage of water allocated in the water transmission line. For the current year ended, the Town has repaid debenture costs including principal and interest totaling \$119,259 (2014 - \$119,259) included in Water Supply and Distribution Expense.

14. CONTAMINATED SITES LIABILITY

Accrued liabilities have been estimated for the cost of post-remediation for two old gas well sites and the former landfill site within the Town. The initial costs have been reduced by the reclamation work preformed as follows:

	2015	2014
Post-remediation Costs Liability for the two gas wells sites	\$ 300,000	\$ 300,000
Less reclamation work preformed	(68,813)	(30,789)
Subtotal	231,187	269,211
Post-remediation Costs Liability for the former landfill site	20,000	20,000
	\$ 251,187	\$ 289,211

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town 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 Town 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 town to the LAPP in 2015 were \$57,269 (2014 - \$63,124). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2015 were \$52,637 (2014 - \$58,116).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$ 2.455 billion.

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:

			2015	2014
		\$	\$	\$
	Salary (1)	Benefits & allowances (2)	Total	Total
E. Brousseau - Mayor	\$ 20,930	\$ -	\$ 20,930	\$ 18,575
D. Ross - Councilor	22,190	3,409	25,599	21,508
P. Palechuk - Councilor	12,490	2,784	15,274	16,434
D. Kotylak - Councilor	14,635	3,148	17,783	16,240
R. Mykitiuk - Councilor	9,085	2,965	12,050	11,695
Harvey Prockiw - Chief Administrative Officer	105,448	11,488	116,936	134,905
Holly Habiak - Chief Administrative Officer	44,583	8,966	53,549	-
	\$ 229,361	\$ 32,760	\$ 262,121	\$ 219,357

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 SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2015

17. CONTINGENT LIABILITIES

The municipality is a member of the MUNIX Reciprocal Insurance Exchange. Under the terms of the membership, the municipality could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

The Town is currently the defendant in a claim filed by a former employee. Neither the possible outcome nor the amount of the possible settlement can be foreseen. Therefore, no provision has been made in the financial statements.

18. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

20. BUDGET AMOUNTS

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