

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2016

TOWN OF SMOKY LAKE
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Year Ended December 31, 2016

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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, 2016 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

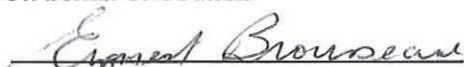

Edmonton, Alberta
April 7, 2017


Seniuk and Company
Chartered Accountants

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,483,324	\$ 839,344
Current taxes and grants in place of taxes (Note 3)	136,850	155,891
Grants and receivables from other governments (Note 4)	895,352	506,203
Trade and other receivables	325,502	333,414
Local improvement taxes receivable	25,334	31,668
Land held for resale	81,814	81,814
	\$ 2,948,176	\$ 1,948,334
LIABILITIES		
Accounts payable	\$ 309,404	\$ 235,914
Deposit liabilities	5,250	5,250
Deferred income (Note 6)	1,048,453	829,429
Long term debt (Note 8)	662,128	303,146
Contaminated site liability (Note 14.)	251,187	251,187
	2,276,422	1,624,926
NET FINANCIAL ASSET (DEBT)	671,754	323,408
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	7,685,350	7,190,114
Prepaid expenses	25,244	36,245
Inventory for consumption	66,339	77,952
	7,776,933	7,304,311
ACCUMULATED SURPLUS	\$ 8,448,687	\$ 7,627,719

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, 2016

	Budget (Unaudited) 2016	2016	2015
REVENUE			
Net municipal taxes (Schedule 1)	\$ 981,100	\$ 1,023,530	\$ 981,588
User fees and sale of goods	1,906,750	1,840,998	2,139,722
Government transfers for operating	178,550	203,397	76,279
Investment income	3,500	7,147	4,014
Penalties and costs of taxes	45,000	24,919	40,676
Licenses and permits	7,300	11,490	6,685
Rentals	48,000	1,850	2,400
Franchise fees & concession contracts	68,800	65,119	53,053
Other	107,842	76,607	60,321
Total revenue	3,346,842	3,255,057	3,364,738
EXPENSES			
Administration and legislative	516,037	520,079	524,426
Bylaw enforcement	10,250	3,146	1,846
Family and community support	192,812	169,166	104,225
Fire service	82,435	70,311	53,075
Gas service	617,885	459,377	521,746
Land use planning, zoning and development	47,500	23,016	37,923
Libraries, museums and halls	32,650	32,682	32,621
Parks and recreation	153,725	118,943	128,097
Roads, streets, walks and lighting	643,645	585,608	634,094
Waste management	316,200	259,441	273,758
Wastewater treatment and disposal	124,570	57,143	48,667
Water supply and distribution	658,891	581,081	561,979
Total operating expenses	3,396,600	2,879,993	2,922,457
Excess (deficiency) of revenue over expenses before other	(49,758)	375,064	442,281

(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, 2016

	Budget (Unaudited) 2016	2016	2015
OTHER INCOME (EXPENSES)			
Government transfers for capital	244,408	924,523	539,066
Legal settlement <i>(Note 17.)</i>	(105,000)	(101,708)	-
Amortization of legislative assets	-	(376,911)	(353,077)
	139,408	445,904	185,989
EXCESS OF REVENUE OVER EXPENSES	89,650	820,968	628,270
ACCUMULATED SURPLUS, BEGINNING OF YEAR	7,627,719	7,627,719	6,999,449
ACCUMULATED SURPLUS, END OF YEAR	\$ 7,717,369	\$ 8,448,687	\$ 7,627,719

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, 2016

	2016	2015
Excess of revenue over expenses	\$ 820,968	\$ 628,270
Acquisition of tangible capital assets	(872,149)	(801,098)
Amortization of tangible capital assets	376,911	353,077
	(495,238)	(448,021)
Use of inventory	11,613	\$ 2,324
Use of prepaids	22,616	\$ (196)
(INCREASE) DECREASE IN NET DEBT	348,346	182,377
Net financial assets (debt), beginning of year	323,408	141,031
NET ASSETS - END OF YEAR	\$ 671,754	\$ 323,408

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 820,968	\$ 628,270
Item not affecting cash:		
Amortization	376,911	353,077
	1,197,879	981,347
Changes in non-cash working capital:		
Trade and other receivables	7,912	(47,307)
Current taxes and grants in place of taxes	19,041	33,551
Inventory for consumption	11,613	2,323
Land held for resale	-	6,294
Grants and receivables from other governments	(389,149)	46,467
Accounts payable	73,489	(93,769)
Deferred income	219,024	(55,503)
Prepaid expenses	11,001	(196)
Local improvement taxes receivable	6,334	6,333
Deposits received	-	(7,250)
Contaminated site liability	-	(38,024)
	(40,735)	(147,081)
Cash flow from operating activities	1,157,144	834,266
INVESTING ACTIVITY		
Purchase of capital assets	(872,147)	(801,098)
FINANCING ACTIVITIES		
Proceeds from long term financing	394,145	-
Repayment of long term debt	(35,163)	(86,906)
Cash flow from (used by) financing activities	358,982	(86,906)
INCREASE (DECREASE) IN CASH FLOW	643,979	(53,738)
Cash - beginning of year	839,344	893,082
CASH - END OF YEAR (Note 2)	\$ 1,483,323	\$ 839,344

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Property and Other Taxes
Year Ended December 31, 2016

(Schedule 1)

	Budget (Unaudited) 2016	2016	2015
TAXATION			
Real property tax	\$ 1,236,500	\$ 1,246,058	\$ 1,206,433
Linear property taxes	42,336	42,336	43,317
Special assessments	-	32,872	6,334
Grants in lieu of property taxes	24,884	24,884	42,979
	1,303,720	1,346,150	1,299,063
REQUISITIONS			
Alberta School Foundation	256,810	256,810	251,665
Seniors' housing requisition	65,810	65,810	65,810
	322,620	322,620	317,475
NET MUNICIPAL TAXES	\$ 981,100	\$ 1,023,530	\$ 981,588

Consolidated Schedule of Government Transfers
Year Ended December 31, 2016

(Schedule 2)

	Budget (Unaudited) 2016	2016	2015
TRANSFERS FOR OPERATING			
Provincial Government	\$ 178,550	\$ 203,397	\$ 76,279
	178,550	203,397	76,279
TRANSFERS FOR CAPITAL			
Provincial Government	144,408	824,523	539,066
Other Local Governments	100,000	100,000	-
	244,408	924,523	539,066
TOTAL GOVERNMENT TRANSFERS	\$ 422,958	\$ 1,127,920	\$ 615,345

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Expenditures by Object
Year Ended December 31, 2016

(Schedule 3)

	Budget (Unaudited) 2016	2016	2015
EXPENSES			
Salaries, wages & benefits	\$ 1,064,890	\$ 881,406	\$ 935,271
Contracted and general services	1,446,322	1,118,300	1,223,884
Materials, goods and utilities	752,009	762,883	712,573
Transfer to local boards and agencies	107,650	93,182	37,256
Interest on long term	-	18,683	11,473
Provision for allowances	107,000	107,247	2,000
Total Consolidated Expenditures by Object	\$ 3,477,871	\$ 2,981,701	\$ 2,922,457

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

**Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2016**

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2016
REVENUE								
Net municipal taxes	\$ 1,023,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,023,531
Government transfers	10,622	-	-	4,000	33,500	3,695	151,580	203,397
User fees and sales of goods	23,220	-	2,687	-	-	1,813,898	1,191	1,840,996
Investment income	7,147	-	-	-	-	-	-	7,147
Other revenues	128,733	23,447	300	-	2,765	19,608	5,133	179,986
	<u>1,193,253</u>	<u>23,447</u>	<u>2,987</u>	<u>4,000</u>	<u>36,265</u>	<u>1,837,201</u>	<u>157,904</u>	<u>3,255,057</u>
EXPENSES								
Contract & general services	207,111	33,099	55,868	14,807	12,698	713,631	81,086	1,118,300
Salaries & wages	269,007	14,147	253,292	-	41,689	250,362	52,909	881,406
Materials, goods & utilities	29,424	26,211	276,398	-	16,556	382,625	31,669	762,883
Transfers to local boards	9,000	-	-	-	80,682	-	3,500	93,182
Long term debt interest	-	-	3,330	8,210	-	7,143	-	18,683
Other expenses	5,539	-	-	-	-	-	-	5,539
	<u>520,081</u>	<u>73,457</u>	<u>588,888</u>	<u>23,017</u>	<u>151,625</u>	<u>1,353,761</u>	<u>169,164</u>	<u>2,879,993</u>
Excess (deficiency) of revenue over expenses before other	<u>673,172</u>	<u>(50,010)</u>	<u>(585,901)</u>	<u>(19,017)</u>	<u>(115,360)</u>	<u>483,440</u>	<u>(11,260)</u>	<u>375,064</u>
OTHER EXPENSE								
Amortization	(6,593)	(25,689)	(188,598)	(668)	(14,777)	(140,586)	-	(376,911)
Government transfers for capital	-	926	30,660	-	243,150	649,787	-	924,523
Legal settlement	(101,708)	-	-	-	-	-	-	(101,708)
	<u>(108,301)</u>	<u>(24,763)</u>	<u>(157,938)</u>	<u>(668)</u>	<u>228,373</u>	<u>509,201</u>	<u>-</u>	<u>445,904</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 564,871</u>	<u>\$ (74,773)</u>	<u>\$ (743,839)</u>	<u>\$ (19,685)</u>	<u>\$ 113,013</u>	<u>\$ 992,641</u>	<u>\$ (11,260)</u>	<u>\$ 820,968</u>

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, 2016**

(Schedule 5)

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2016	Total 2015
BALANCE, BEGINNING OF YEAR	\$ 44,427	\$ 696,323	\$ 6,886,969	\$ 7,627,719	\$ 6,999,449
Excess (deficiency) of revenues over expenses	820,968	-	-	820,968	628,270
Current year funds used for tangible capital assets	(872,147)	-	872,147	-	-
Annual amortization expense	376,911	-	(376,911)	-	-
Principle repayments on long term debt	(35,163)	-	35,163	-	-
Long term debt additions used for tangible capital assets	394,145	-	(394,145)	-	-
Net transfers to/from reserves	(650,000)	650,000	-	-	-
	34,714	650,000	136,254	820,968	628,270
BALANCE, END OF YEAR	\$ 79,141	\$ 1,346,323	\$ 7,023,223	\$ 8,448,687	\$ 7,627,719

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, 2016

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, 2016

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.

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TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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.

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TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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	35 - 75 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

	2016	2015
Cash	\$ 1,223,735	\$ 273,511
Restricted cash related to municipal grants	116,964	424,277
Restricted cash related to decommissioning of gas wells	142,624	141,556
	\$ 1,483,323	\$ 839,344

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, 2016

3. TAXES RECEIVABLES

Taxes receivable are comprised of:

	2016	2015
Current taxes and grants in place of taxes	\$ 48,334	\$ 16,398
Arrears taxes and grants in place of taxes	88,516	139,493
	\$ 136,850	\$ 155,891

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2016	2015
Municipal Sustainability Initiative - Capital	\$ 697,798	\$ 385,371
Municipal Sustainability Initiative - Operating	-	67,113
Federal Gas Tax Fund	164,216	-
Subtotal	862,014	452,484
Goods and Services Tax Recoverable	33,338	53,719
	\$ 895,352	\$ 506,203

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 567,547	\$ -	\$ 567,547	\$ 567,547
Land improvements	468,468	158,327	310,141	81,142
Buildings	567,887	196,051	371,836	385,848
Machinery and equipment	1,648,307	1,070,849	577,458	637,036
Motor vehicles	496,918	308,830	188,088	219,354
Engineered structures - roadways	5,114,961	3,654,517	1,460,444	1,598,205
Engineered Structures - Sidewalks	1,152,190	1,096,849	55,341	59,538
Engineered Structures - Sewer	2,878,098	1,674,962	1,203,136	1,078,275
Engineered Structures - Water	4,540,613	1,675,673	2,864,940	2,466,348
Engineered Structures - Gas	1,311,367	1,224,948	86,419	96,821
	\$ 18,746,356	\$ 11,061,006	\$ 7,685,350	\$ 7,190,114

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

6. DEFERRED REVENUE

Deferred revenue is comprised of:

	2016	2015
Municipal Sustainability Initiative - Capital	\$ 578,518	\$ 641,759
Municipal Sustainability Initiative - Operating	302	1,173
Federal Gas Tax Fund	163,105	92,172
Family and Community Support Services Grant	49,776	72,276
Small Communities Grant	145,518	-
Spray Park Community Funding	28,377	-
Other deferred revenue	13,939	4,423
Prepaid property taxes	12,920	17,626
Prepaid development permits	52,592	-
Prepaid Utilities	3,406	-
	\$ 1,048,453	\$ 829,429

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).

Small Communities Grant

The Small Communities Grant 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).

Spray Park Community Funding

The Smoky Lake Spray Park Committee has contributed funds that are restricted to the building of the new local spray park. Unexpended funds related to the advance are supported by restricted cash held exclusively for this project (refer to Note 2).

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

6. DEFERRED REVENUE *(continued)*

2016 **2015**

Family and Community Support Services Program

The Family and Community Support Services Program is a funding agreement under which locally-driven preventive initiatives can be developed to enhance the well-being of individuals, families and communities. The program is restricted to projects approved under the funding agreement. Unexpended funds related to the advance are supported by restricted cash held exclusively future approved projects (refer to Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

Included in accounts payable are employee benefit obligations of:

2016 **2015**

Vacation and overtime	\$ 4,688	\$ 6,464
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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.

8. LONG TERM DEBT

2016 **2015**

Alberta Capital Finance Authority loan bearing interest at 4.525% per annum, repayable in annual blended payments of \$24,252. The loan matures on March 16, 2016 and is secured by the credit and security of the Town at large.	\$ -	\$ 24,252
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Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-annual blended payments of \$21,083. The loan matures on March 31, 2031 and is secured by the credit and security of the Town at large.	255,141	-
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Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-annual blended payments of \$10,585. The loan matures on March 31, 2031 and is secured by the credit and security of the Town at large.	128,093	-
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ATB Financial loan bearing interest at 2.95% per annum, repayable in semi-annual blended payments of \$40,000. The loan matures on October 31, 2023 and is secured by the credit and security of the Town at large.	278,894	278,894
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\$ 662,128	\$ 303,146
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(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

8. LONG TERM DEBT *(continued)*

	2016	2015
Principal reductions over the next 5 years are approximately:		
2017	\$ 62,233	
2018	62,791	
2019	63,364	
2020	63,952	
2021	64,554	
Thereafter	345,234	
	<u>\$ 662,128</u>	

Interest on long-term debt amounted to \$18,683 (2015 - \$11,473)

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:

	2016	2015
Total debt limit	\$ 4,882,586	\$ 5,304,638
Total debt	(683,796)	(369,814)
Amount of debt limit unused	4,198,790	4,934,824
Debt servicing limit	813,764	884,106
Debt servicing	(78,501)	(72,331)
Amount of debt servicing limit unused	<u>\$ 735,263</u>	<u>\$ 811,775</u>

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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2016	2015
Tangible capital assets (Note 5)	\$ 18,746,356	\$ 17,874,201
Accumulated amortization (Note 5)	(11,061,005)	(10,684,086)
Long term debt (Note 8)	(662,128)	(303,146)
	<u>\$ 7,023,223</u>	<u>\$ 6,886,969</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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, 2016

13. COMMITMENTS

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 maximum loan guarantee outstanding is \$21,668 (2015 - \$66,668). 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 (the "Commission") to provide water services and build infrastructure. The members of the Commission are the County of Thorhild No.7, Smoky Lake County, the Town of Smoky Lake, and the Villages of Vilna and Waskatenau.

To fund building infrastructure beyond grant funding received, the Commission financed \$1.9 million. For the current year, the Town has repaid debenture costs including principal and interest totaling \$119,258 (2015 - \$119,258). Future annual debenture commitments including principle and interest are estimated as follows:

Estimated commitment repayment schedule:

2017	\$ 119,258
2018	119,258
2019	119,258
2020	119,258
2021	119,258
Thereafter	1,476,004
	<u>\$ 2,072,294</u>

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:

	2016	2015
Post-remediation Costs Liability for the two gas wells sites	\$ 300,000	\$ 300,000
Less reclamation work preformed	(68,813)	(68,813)
Subtotal	231,187	231,187
Post-remediation Costs Liability for the former landfill site	20,000	20,000
	<u>\$ 251,187</u>	<u>\$ 251,187</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

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 2016 were \$48,059 (2015 - \$57,269). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2016 were \$44,182 (2015 - \$52,637).

At December 31, 2015, the LAPP disclosed an actuarial deficiency of \$923 million.

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:

			2016	2015
		\$		\$
	Salary (1)	Benefits & allowances (2)	Total	Total
E. Brousseau - Mayor	\$ 22,175	\$ -	\$ 22,175	\$ 20,930
D. Ross - Councilor	22,840	3,494	26,334	25,599
P. Palechuk - Councilor	15,535	2,859	18,394	15,274
D. Kotylak - Councilor	16,780	3,294	20,074	17,783
R. Mykitiuk - Councilor	9,970	3,069	13,039	12,050
Adam Kozakiewiz - Chief Administrative Officer	81,432	12,178	93,610	116,936
Holly Habiak - Chief Administrative Officer	22,508	2,872	25,380	53,549
	\$ 191,240	\$ 27,766	\$ 219,006	\$ 262,121

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, 2016

17. LEGAL SETTLEMENT

During the year, the Town settled a claim filed by a former employee in the amount of \$101,708.

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.