

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2017



TOWN OF SMOKY LAKE
Index to Consolidated Financial Statements
Year Ended December 31, 2017

	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 - 22



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, 2017 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, 2017 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 24, 2018

Seniuk & Company
Seniuk and Company
Chartered Accountants

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,188,457	\$ 1,473,028
Current taxes and grants in place of taxes (Note 3)	159,767	136,850
Grants and receivables from other governments (Note 4)	1,249,648	895,352
Trade and other receivables	278,740	325,502
Local improvement taxes receivable	19,001	25,334
Land held for resale	81,814	81,814
	\$ 2,977,427	\$ 2,937,880
LIABILITIES		
Accounts payable	\$ 545,360	\$ 299,109
Deposit liabilities	4,750	5,250
Deferred income (Note 6)	961,341	1,048,453
Long term debt (Note 8)	559,821	662,128
Contaminated site liability (Note 13.)	74,702	251,187
	2,145,974	2,266,127
NET FINANCIAL ASSET (DEBT)	831,453	671,753
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	7,906,633	7,685,350
Prepaid expenses	35,369	25,244
Inventory for consumption	107,911	66,339
	8,049,913	7,776,933
ACCUMULATED SURPLUS	\$ 8,881,366	\$ 8,448,686

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, 2017

	Budget (Unaudited) 2017	2017	2016
REVENUE			
Net municipal taxes (Schedule 1)	\$ 966,229	\$ 989,235	\$ 1,023,530
User fees and sale of goods	1,567,900	1,954,681	1,840,998
Government transfers for operating	191,450	407,531	203,397
Investment income	8,000	10,154	7,147
Penalties and costs of taxes	30,000	32,309	24,919
Licenses and permits	7,500	59,787	11,490
Rentals	3,000	-	1,850
Franchise fees & concession contracts	67,000	69,676	65,119
Other	69,035	52,499	76,607
Total revenue	2,910,114	3,575,872	3,255,057
EXPENSES			
Administration and legislative	486,391	529,513	520,079
Bylaw enforcement	3,300	60	3,146
Family and community support	238,247	184,830	169,166
Fire service	68,566	60,930	70,311
Gas service	567,375	588,541	459,377
Land use planning, zoning and development	73,900	15,485	23,016
Libraries, museums and halls	32,682	33,090	32,682
Parks and recreation	96,595	91,279	118,943
Roads, streets, walks and lighting	1,206,293	906,807	585,608
Waste management	297,033	256,522	259,441
Wastewater treatment and disposal	71,019	104,301	57,143
Water supply and distribution	526,347	497,828	581,081
Total operating expenses	3,667,748	3,269,186	2,879,993
Excess (deficiency) of revenue over expenses before other	(757,634)	306,686	375,064

(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, 2017

	Budget (Unaudited) 2017	2017	2016
OTHER INCOME (EXPENSES)			
Government transfers for capital	-	521,660	924,523
Legal settlement	-	-	(101,708)
Amortization of legislative assets	-	(395,666)	(376,911)
	-	125,994	445,904
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(757,634)	432,680	820,968
ACCUMULATED SURPLUS, BEGINNING OF YEAR	8,448,686	8,448,686	7,627,718
ACCUMULATED SURPLUS, END OF YEAR	\$ 7,691,052	\$ 8,881,366	\$ 8,448,686

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, 2017

	2017	2016
Excess of revenue over expenses	\$ 432,680	\$ 820,968
Acquisition of tangible capital assets	(616,949)	(872,147)
Amortization of tangible capital assets	395,666	376,911
	(221,283)	(495,236)
Use of inventory	(41,572)	\$ 11,613
Use of prepaids	(51,697)	\$ 11,001
(INCREASE) DECREASE IN NET DEBT	159,700	348,346
Net financial assets (debt), beginning of year	671,753	323,407
NET ASSETS - END OF YEAR	\$ 831,453	\$ 671,753

The accompanying notes form an integral part of these financial statements



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

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 432,680	\$ 820,968
Item not affecting cash:		
Amortization	395,666	376,911
	828,346	1,197,879
Changes in non-cash working capital:		
Trade and other receivables	46,762	7,912
Current taxes and grants in place of taxes	(22,917)	19,041
Inventory for consumption	(41,572)	11,613
Grants and receivables from other governments	(354,296)	(389,149)
Accounts payable	246,250	73,489
Deferred income	(87,112)	219,024
Prepaid expenses	(10,125)	11,001
Local improvement taxes receivable	6,333	6,334
Deposits received	(500)	-
Contaminated site liability	(176,485)	-
	(393,662)	(40,735)
Cash flow from operating activities	434,684	1,157,144
INVESTING ACTIVITY		
Purchase of capital assets	(616,947)	(872,147)
FINANCING ACTIVITIES		
Proceeds from long term financing	-	394,145
Repayment of long term debt	(102,307)	(35,163)
Cash flow from (used by) financing activities	(102,307)	358,982
INCREASE (DECREASE) IN CASH FLOW	(284,570)	643,979
Cash - beginning of year	1,473,027	829,048
CASH - END OF YEAR (Note 2)	\$ 1,188,457	\$ 1,473,027

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, 2017

(Schedule 1)

	Budget (Unaudited) 2017	2017	2016
TAXATION			
Real property tax	\$ 1,249,339	\$ 1,219,912	\$ 1,246,058
Linear property taxes	45,969	45,969	42,336
Special assessments	-	33,092	32,872
Grants in lieu of property taxes	-	19,338	24,884
	1,295,308	1,318,311	1,346,150
REQUISITIONS			
Alberta School Foundation	261,750	261,747	256,810
Seniors' housing requisition	67,329	67,329	65,810
	329,079	329,076	322,620
NET MUNICIPAL TAXES	\$ 966,229	\$ 989,235	\$ 1,023,530

Consolidated Schedule of Government Transfers
Year Ended December 31, 2017

(Schedule 2)

	Budget (Unaudited) 2017	2017	2016
TRANSFERS FOR OPERATING			
Provincial Government	\$ 191,450	\$ 407,531	\$ 203,397
	191,450	407,531	203,397
TRANSFERS FOR CAPITAL			
Provincial Government	-	521,660	824,523
Other Local Governments	-	-	100,000
	-	521,660	924,523
TOTAL GOVERNMENT TRANSFERS	\$ 191,450	\$ 929,191	\$ 1,127,920

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, 2017

	Budget (Unaudited) 2017	2017	2016
EXPENSES			
Salaries, wages & benefits	\$ 1,037,382	\$ 956,921	\$ 859,331
Contracted and general services	1,028,092	1,286,217	1,247,555
Materials, goods and utilities	911,313	918,606	762,883
Transfer to local boards and agencies	109,482	91,290	93,182
Interest on long term	136,697	16,152	13,212
Provision for allowances	2,000	-	5,539
Total Consolidated Expenditures by Object	\$ 3,224,966	\$ 3,269,186	\$ 2,981,702

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2017

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2017
REVENUE								
Net municipal taxes	\$ 989,238	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 989,238
Government transfers	39,926	-	200,000	-	165,462	2,143	-	407,531
User fees and sales of goods	27,627	-	1,875	-	-	1,925,178	-	1,954,680
Investment income	10,154	-	-	-	-	-	-	10,154
Other revenues	182,509	27,318	950	-	2,703	791	-	214,271
	1,249,454	27,318	202,825	-	168,165	1,928,112	-	3,575,874
EXPENSES								
Contract & general services	267,261	24,468	106,611	8,768	37,005	785,465	56,638	1,286,216
Salaries & wages	226,944	14,745	353,927	-	111,013	250,292	-	956,921
Materials, goods & utilities	26,527	21,777	442,708	-	12,435	405,562	9,598	918,607
Transfers to local boards	8,784	-	-	-	82,507	-	-	91,291
Long term debt interest	-	-	6,282	6,717	-	3,154	-	16,153
	529,516	60,990	909,528	15,485	242,960	1,444,473	66,236	3,269,188
Excess (deficiency) of revenue over expenses before other	719,938	(33,672)	(706,703)	(15,485)	(74,795)	483,639	(66,236)	306,686
OTHER EXPENSE								
Amortization	(8,655)	(15,050)	(198,824)	(668)	(24,748)	(147,721)	-	(395,666)
Government transfers for capital	40,675	-	279,994	-	100,415	100,576	-	521,660
	32,020	(15,050)	81,170	(668)	75,667	(47,145)	-	125,994
EXCESS OF REVENUE OVER EXPENSES	\$ 751,958	\$ (48,722)	\$ (625,533)	\$ (16,153)	\$ 872	\$ 436,494	\$ (66,236)	\$ 432,680

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, 2017

(Schedule 5)

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2017	Total 2016
BALANCE, BEGINNING OF YEAR	\$ 79,142	\$ 1,346,323	\$ 7,023,221	\$ 8,448,686	\$ 7,627,718
Excess (deficiency) of revenues over expenses	432,680	-	-	432,680	820,968
Current year funds used for tangible capital assets	(616,947)	-	616,947	-	-
Annual amortization expense	395,666	-	(395,666)	-	-
Principle repayments on long term debt	(102,307)	-	102,307	-	-
	109,092	-	323,588	432,680	820,968
BALANCE, END OF YEAR	\$ 188,234	\$ 1,346,323	\$ 7,346,809	\$ 8,881,366	\$ 8,448,686

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.

The accompanying notes form an integral part of these financial statements

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

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 Chartered Professional Accountants of Canada. 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.

(continues)

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

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, 2017

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, 2017

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

	2017	2016
Cash	\$ 834,256	\$ 1,213,439
Restricted cash related to municipal grants	210,281	116,964
Restricted cash related to decommissioning of gas wells	143,920	142,624
	\$ 1,188,457	\$ 1,473,027

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, 2017

3. TAXES AND GRANTS IN PLACE OF TAXES

Taxes and grants in place of taxes are comprised of:

	2017	2016
Current taxes and grants in place of taxes	\$ 60,723	\$ 48,334
Arrears taxes and grants in place of taxes	99,044	88,516
	\$ 159,767	\$ 136,850

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2017	2016
Municipal Sustainability Initiative - Capital	\$ 1,007,257	\$ 697,798
Federal Gas Tax Fund	163,954	164,216
Early Childhood Coalition (ECCA) Grant	22,500	-
Municipal Asset Management Program Grant	50,000	-
Subtotal	1,243,711	862,014
Goods and Services Tax Recoverable	5,937	33,338
	\$ 1,249,648	\$ 895,352

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 740,631	\$ -	\$ 740,631	\$ 567,547
Land improvements	558,813	182,604	376,209	310,141
Buildings	603,691	211,400	392,291	371,836
Machinery and equipment	1,899,208	1,142,244	756,964	577,458
Motor vehicles	502,816	332,829	169,987	188,088
Engineered structures - roadways	6,341,607	4,906,124	1,435,483	1,515,785
Engineered Structures - Sewer	2,866,140	1,721,052	1,145,088	1,203,136
Engineered Structures - Water	4,555,387	1,741,424	2,813,963	2,864,940
Engineered Structures - Gas	1,311,367	1,235,350	76,017	86,419
	\$ 19,379,660	\$ 11,473,027	\$ 7,906,633	\$ 7,685,350



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

6. DEFERRED REVENUE

Deferred revenue is comprised of:

	2017	2016
Municipal Sustainability Initiative - Capital	\$ 545,303	\$ 578,518
Municipal Sustainability Initiative - Operating	-	302
Federal Gas Tax Fund	139,813	163,105
Early Child Development Mapping Initiative	49,776	49,776
Small Communities Grant	145,518	145,518
Spray Park Community Funding	-	28,377
Municipal Asset Management Program Grant	45,181	-
Physician Recruitment Program	6,582	-
Other deferred revenue	8,963	13,939
Prepaid property taxes	15,855	12,920
Prepaid development permits	-	52,592
Prepaid Utilities	4,350	3,406
	\$ 961,341	\$ 1,048,453

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. The spray park was completed in 2017.

(continues)

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

6. DEFERRED REVENUE <i>(continued)</i>	2017	2016
--	-------------	------

Early Child Development

The Early Child Development funding is for the development of community specific action plans for enhancing early childhood development. 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).

Physician Recruitment Program

The Town is the managing partner for Physician Recruitment Program in the community. The Town collects advances from Municipalities in the area and provides physician services to those communities. Unexpended funds related to the advance are supported by restricted cash held exclusively for future expenditures (refer to Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

Included in accounts payable are employee benefit obligations of:

	2017	2016
Vacation and overtime	\$ 8,530	\$ 4,688

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	2017	2016
-------------------	-------------	------

Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in 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.	\$ 240,339	\$ 255,141
---	-------------------	------------

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.	120,662	128,093
--	----------------	---------

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.	198,820	278,894
---	----------------	---------

(continues)



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

8. LONG TERM DEBT *(continued)*

	2017	2016
	\$ 559,821	\$ 662,128

Principal reductions over the next 5 years are approximately:

2018	\$ 72,791
2019	73,364
2020	73,952
2021	73,374
2022	25,171
Thereafter	<u>241,169</u>
	<u>\$ 559,821</u>

Interest on long-term debt amounted to \$16,152 (2016 - \$13,212)

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:

	2017	2016
Total debt limit	\$ 5,363,808	\$ 4,882,586
Total debt	<u>(559,822)</u>	<u>(662,128)</u>
Amount of debt limit unused	4,803,986	4,220,458
Debt servicing limit	893,968	813,764
Debt servicing	<u>(87,533)</u>	<u>(78,501)</u>
Amount of debt servicing limit unused	<u>\$ 806,435</u>	<u>\$ 735,263</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. 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).



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

11. 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, 2017

12. 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 (2016 - \$66,668).

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 \$3.062 million. For the current year, the Town has repaid debenture costs including principal and interest totaling \$119,258 (2016 - \$119,258). Future annual debenture commitments including principle and interest are estimated as follows:

Estimated commitment repayment schedule:

2018	\$	119,258
2019		119,258
2020		119,258
2021		119,258
2022		119,258
Thereafter		<u>1,831,549</u>
	\$	<u>2,427,839</u>

13. 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:

	2017	2016
Post-remediation Costs Liability for the two gas wells sites	\$ 349,000	\$ 300,000
Less reclamation work preformed	(294,298)	(68,813)
Subtotal	54,702	231,187
Post-remediation Costs Liability for the former landfill site	20,000	20,000
	<u>\$ 74,702</u>	<u>\$ 251,187</u>

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

14. 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 2017 were \$48,059 (2016 - \$57,269). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2017 were \$44,182 (2016 - \$52,637).

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

15. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

			2017	2016
		\$	\$	\$
	Salary (1)	Benefits & allowances (2)	Total	Total
H. Holowaychuk - Mayor	\$ 5,420	\$ 187	\$ 5,607	\$ -
E. Brousseau - Former Mayor	19,480	-	19,480	22,175
D. Kotylak - Councillor	18,510	3,097	21,607	20,074
T. Makowichuk - Councillor	5,100	-	5,100	-
M. Morton - Councillor	3,390	-	3,390	-
R. Whitelaw - Councillor	4,870	-	4,870	-
D. Ross - Former Councillor	14,025	2,581	16,606	26,334
P. Palechuk - Former Councillor	11,605	2,543	14,148	18,394
R. Mykitiuk - Former Councillor	5,010	1,548	6,558	13,039
A. Kozakiewiz - Chief Administrative Officer	116,495	23,388	139,883	97,439
	\$ 203,905	\$ 33,344	\$ 237,249	\$ 197,455

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, 2017

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

17. COMPARATIVE FIGURES

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

18. BUDGET AMOUNTS

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