

Town of Slave Lake

Consolidated Financial Statements

For the Year Ended December 31, 2016

Town of Slave Lake

December 31, 2016

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**Town of Slave Lake
2016 Financial Statements
Management Report**

The accompanying consolidated financial statements and other information contained in this Financial Report are the responsibility of the management of the Town of Slave Lake.

These consolidated financial statements have been prepared by management. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and that the Town's assets are appropriately accounted for and adequately safeguarded.

The elected Council of the Town of Slave Lake are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Council meets annually with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. Council reviews the monthly financial reports.

The consolidated financial statements have been audited by Doyle & Company, Chartered Accountants, the external auditors, in accordance with Canadian auditing standards on behalf of the Council, residents and ratepayers of the Town. Doyle & Company has full and free access to Town Council.



Chief Administrative Officer
Town of Slave Lake
June 6, 2017



Director of Finance

The accompanying notes are an integral part of these financial statements.

Allan J. Grykuliak, CPA, CA*
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INDEPENDENT AUDITORS' REPORT

To the Members of Council:
Town of Slave Lake

Report on the Consolidated Financial Statements

We have audited the statement of financial position of the Town of Slave Lake (the "Town") as at December 31, 2016 and the consolidated statement of income, change in net financial assets (debt) and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Managements 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.

Auditors 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 Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements.

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 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.

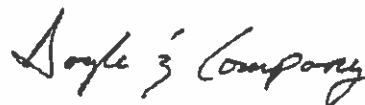
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Slave Lake as at December 31, 2016 and the results of its operations, changes in its net financial assets (debt) and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Town of Slave Lake

June 6, 2017



Chartered Professional Accountants

Town of Slave Lake

Statement of Changes in Financial Position

December 31, 2016

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	5,098,761	5,473,752
Receivables		
Accounts receivable, net of allowances	7,769,256	5,207,505
Taxes and Grants in Lieu Receivable (Note 4)	666,312	524,668
Long term investments (Note 5)	12,446,151	18,896,329
Other long term assets	115,273	115,273
	26,095,753	30,217,527
LIABILITIES		
Accounts payable and accrued liabilities	4,192,292	2,607,486
Other liabilities (Note 6)	728,189	3,400,569
Deferred revenue (Note 7)	7,882,672	12,000,749
Long term debt (Note 8)	27,858,539	29,489,945
Provision for landfill closure and post-closure costs (Note 10)	157,879	157,879
Other environmental liabilities (Note 11)	341,101	341,101
	41,160,672	47,997,729
NET FINANCIAL DEBT	(15,064,919)	(17,780,202)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule 2)	143,774,372	134,009,043
Inventory of parts and supplies	244,393	245,326
Prepaid	-	31,871
	144,018,765	134,286,240
ACCUMULATED SURPLUS	128,953,846	116,506,038

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Consolidated Statement of Income

For the Year Ended December 31, 2016

	Budget	2016	2015
	\$	\$	\$
REVENUES			
Municipal Taxation (Schedule 3)	8,043,768	7,950,047	7,865,611
User fees and sales of goods	5,017,377	4,829,626	4,742,996
Interest income	225,648	224,718	476,216
Government Transfers for Operating(Schedule 4)	3,331,149	3,106,578	2,984,741
Development levies	-	-	108,885
Licenses and permits	169,940	104,719	127,639
Fines	430,000	433,900	307,587
Franchise and concession contracts	1,144,016	967,830	999,037
Rental income	3,078,826	3,099,287	3,102,830
Other revenue (Note 24)	92,980	190,483	318,130
Total Revenue	21,533,704	20,907,188	21,033,672
EXPENSES			
Legislative	182,660	250,961	247,347
Administration	2,417,403	2,370,287	2,648,712
Fire, police, bylaw enforcement and disaster recovery	4,661,704	4,618,988	4,624,647
Roads, streets, walks and lighting	2,237,419	2,091,840	2,220,890
Water and wastewater	1,618,514	1,580,912	2,093,852
Waste management	529,202	721,145	479,413
Family and community supports	449,362	452,678	454,348
Cemetery	25,258	7,023	4,928
Subdivision, planning, land and development	2,171,391	7,268,799	12,532,126
Parks, recreation and culture	2,998,355	2,830,043	2,982,926
Amortization expense	3,244,223	4,733,304	4,173,969
Total Expenses	20,535,491	26,925,980	32,463,158
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	998,213	(6,018,792)	(11,429,486)
OTHER			
Government Transfers for Capital (Schedule 4)	16,243,798	17,714,015	20,701,904
Legacy	12,000	755,541	10,278
Donations for capital	-	-	1,200
Gain (loss) on disposal of assets	-	(2,956)	53,257
EXCESS OF REVENUE OVER EXPENSES	17,254,011	12,447,808	9,337,153
ACCUMULATED SURPLUS, BEGINNING OF YEAR		116,506,038	107,168,885
ACCUMULATED SURPLUS, END OF YEAR		128,953,846	116,506,038

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Statement of Change in Net Financial Assets

For the Year Ended December 31, 2016

	Budget	2016	2015
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	17,254,011	12,447,808	9,337,153
Acquisition of tangible capital assets	(16,243,798)	(14,514,473)	(12,288,882)
Disposals of tangible capital assets	-	12,881	62,094
Amortization of tangible capital assets	(3,244,223)	4,733,304	4,173,969
Losses (gains) on disposal of tangible capital assets	-	2,956	(53,257)
	(19,488,021)	(9,765,332)	(8,106,076)
Use (Acquisition) of inventories	-	936	63,720
Use (Acquisition) of prepaid assets	-	31,871	(22,577)
	-	32,807	41,143
DECREASE (INCREASE) IN NET DEBT	(2,234,010)	2,715,283	1,272,220
NET FINANCIAL DEBT, BEGINNING OF YEAR	-	(17,780,202)	(19,052,422)
NET FINANCIAL DEBT, END OF YEAR	-	(15,064,919)	(17,780,202)

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2016

	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (shortfall) of revenues over expenses	12,446,090	9,337,155
Non-Cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of tangible assets	4,733,304	4,173,969
Loss (gain) on disposal of tangible capital assets	2,956	(53,257)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(141,644)	63,636
Decrease (increase) in trade and other receivables	(2,561,751)	2,085,390
Decrease (increase) in prepaid expenditures	31,871	(22,569)
Decrease (increase) in inventory for consumption	936	63,720
Increase (decrease) in accounts payable and accrued liabilities	1,586,524	(1,617,743)
Increase (decrease) in deferred revenue	(4,118,077)	(3,148,313)
Increase (decrease) in environmental liability	-	(81,245)
Increase (decrease) in other liabilities	(2,672,380)	(7,523,459)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	9,307,829	3,277,284
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in long-term investments	6,450,178	(311,257)
NET CASH USED BY INVESTING ACTIVITIES	6,450,178	(311,257)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt repaid	(1,631,407)	(1,560,578)
NET CASH USED BY FINANCING ACTIVITIES	(1,631,407)	(1,560,578)
CAPITAL ACTIVITIES:		
Acquisition of Tangible Capital Assets	(14,514,472)	(12,288,882)
Sale of tangible capital assets	12,881	62,094
NET CASH USED BY CAPITAL ACTIVITIES	(14,501,591)	(12,226,788)
Net cash increase (decrease) in cash and cash equivalents	(374,991)	(10,821,339)
Cash and cash equivalents at beginning of year	5,473,752	16,295,091
Cash and cash equivalents at end of period	5,098,761	5,473,752

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Schedule of Changes in Accumulated Surplus - Schedule 1

For the Year Ended December 31, 2016

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2016	2015
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	1,083,652	10,903,288	104,519,098	116,506,038	107,168,885
Excess of revenues over expenses	12,447,808	-	-	12,447,808	9,337,153
Unrestricted funds designated for future use	(2,324,295)	2,324,295	-	-	-
Restricted funds for operations	425,600	(425,600)	-	-	-
Restricted funds used for tangible capital assets	-	(1,022,470)	1,022,470	-	-
Current year funds used for tangible capital assets	(13,492,111)	-	13,492,111	-	-
Disposal of tangible capital assets	15,837	-	(15,837)	-	-
Annual amortization expense	4,733,414	-	(4,733,414)	-	-
Long-term debt repaid	(1,631,405)	-	1,631,405	-	-
Change in accumulated surplus	174,848	876,225	11,396,735	12,447,808	9,337,153
BALANCE, END OF YEAR	1,258,500	11,779,513	115,915,833	128,953,846	116,506,038

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Schedule of Tangible Capital Assets - Schedule 2

For the Year Ended December 31, 2016

	Land	Land Improvements	Buildings	Construction in Progress	Engineered Structures	Machinery and Equipment	Vehicles	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST:									
Balance, beginning of year	1,953,289	12,070,130	55,142,655	16,452,242	104,256,673	3,978,288	4,172,841	198,026,118	185,955,421
Transfers	-	-	-	(16,452,242)	16,262,242	-	190,000	-	-
Acquisition of tangible capital assets	-	108,062	24,417	463,273	12,722,643	331,337	864,741	14,514,473	12,288,882
Disposal of tangible capital assets	-	-	-	-	-	-	(248,081)	(248,081)	(218,185)
Balance, end of year	1,953,289	12,178,192	55,167,072	463,273	133,241,558	4,309,625	4,979,501	212,292,510	198,026,118
ACCUMULATED AMORTIZATION									
Balance, beginning of year	-	1,915,816	6,734,563	-	51,280,607	1,929,361	2,156,620	64,016,967	60,052,451
Annual amortization	-	503,191	1,104,692	-	2,545,539	241,319	338,666	4,733,407	4,173,964
Accumulated amortization on disposals	-	-	-	-	-	-	(232,236)	(232,236)	(209,340)
Balance, end of year	-	2,419,007	7,839,255	-	53,826,146	2,170,680	2,263,050	68,518,138	64,017,075
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,953,289	9,759,185	47,327,817	463,273	79,415,412	2,138,945	2,716,451	143,774,372	134,009,043
2015 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	1,953,289	10,154,314	48,408,027	16,452,242	52,976,059	1,993,528	2,071,584	134,009,043	-

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Schedule of Property and Other Taxes - Schedule 3

For the Year Ended December 31, 2016

	Budget	2016	2015
	\$	\$	\$
TAXATION			
Real property taxes	7,452,671	7,414,887	7,296,240
Education Tax Collection	2,776,006	2,772,783	2,767,274
Seniors Foundation Collection	308,837	308,043	304,222
Linear property taxes	124,612	124,611	125,764
Government grants in place of property taxes	256,748	252,218	336,101
Special assessments and local improvement taxes	106,892	27,283	(18,022)
Penalties and costs	102,845	135,065	127,957
	11,128,611	11,034,890	10,939,536
REQUISITIONS			
Education - Alberta School Foundation Fund and Living Waters Catholic Region Division #42	2,776,006	2,776,006	2,769,390
Lesser Slave Lake Regional Housing Authority	308,837	308,837	304,535
	3,084,843	3,084,843	3,073,925
NET MUNICIPAL TAXES	8,043,768	7,950,047	7,865,611

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Schedule of Government Transfers - Schedule 4

For the Year Ended December 31, 2016

	Budget	2016	2015
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial Government	1,860,803	1,592,046	1,626,926
Federal Government	258,756	258,756	258,756
Local Government	1,211,590	1,255,776	1,099,059
	3,331,149	3,106,578	2,984,741
TRANSFERS FOR CAPITAL			
Provincial Government	15,062,932	17,560,228	20,701,904
Federal Government	-	153,787	-
	15,062,932	17,714,015	20,701,904
	18,394,081	20,820,593	23,686,645

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Schedule of Consolidated Expenses by Object - Schedule 5

For the Year Ended December 31, 2016

	Budget	2016	2015
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	7,136,532	6,804,854	6,850,142
Contracted and general services	5,575,993	5,691,981	5,945,449
Materials, goods and utilities	2,521,044	7,618,514	13,024,965
Transfers to individuals and organizations	481,331	476,913	488,989
Bank charges	5,500	4,091	7,784
Interest on bonds and debentures	1,309,963	1,301,048	1,374,750
Amortization of tangible capital assets	3,244,223	4,733,304	4,173,975
Other operating expenses	260,905	295,275	597,104
	20,535,491	26,925,980	32,463,158

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

Schedule of Segmented Disclosure - Schedule 6

For the Year Ended December 31, 2016

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health and Welfare	Planning & Development	Recreation & Culture	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE									
Taxes net of requisitions	7,922,764	-	27,283	-	-	-	-	7,950,047	7,865,611
User fees and sales of goods	61,359	388,328	-	3,907,640	21,424	163,664	307,211	4,029,626	4,742,996
Interest income	224,718	-	-	-	-	-	-	224,718	476,216
Government Transfers for Operating	-	1,850,379	-	-	360,654	109,433	778,112	3,106,578	2,984,741
Government Transfers for Capital	26,300	11,361,902	836,136	640,877	-	4,516,510	330,290	17,714,016	20,701,904
Development levies	-	-	-	-	-	-	-	-	108,885
Rental income	32,335	-	-	-	-	2,835,319	231,633	3,099,287	3,102,830
Licenses and permits	76,238	1,845	(16,325)	-	391	42,570	-	104,719	127,639
Fines	-	433,900	-	-	-	-	-	433,900	307,587
Franchise and concession contracts	967,830	-	-	-	-	-	-	967,830	999,037
Other revenue	(39,707)	153,867	(4,001)	-	8,022	756,141	71,662	946,024	382,866
	9,273,837	14,170,241	843,093	4,548,517	398,491	8,423,637	1,718,928	39,376,744	41,800,312
EXPENSES									
Salaries, wages and benefits	1,516,064	1,723,387	890,852	549,933	276,458	412,034	1,436,128	6,804,854	6,850,142
Contracted and general services	732,623	2,356,016	345,432	991,506	129,236	633,467	503,701	5,691,981	5,945,449
Materials, goods and utilities	65,402	414,802	736,441	693,292	5,610	5,215,118	487,849	7,818,514	13,024,965
Transfers to individuals and organizations	7,793	21,000	100,000	-	48,397	-	299,723	476,913	488,989
Bank charges	4,091	-	-	-	-	-	-	4,091	7,784
Interest on bonds and debentures	-	12,290	19,115	67,326	-	1,099,673	102,644	1,301,048	1,374,751
Other operating expenses	298,231	-	-	-	-	-	-	298,231	697,110
	2,624,204	4,527,495	2,091,840	2,302,057	459,701	7,360,292	2,630,043	22,196,632	28,289,190
NET REVENUE BEFORE AMORTIZATION	6,649,633	9,642,746	(1,248,747)	2,246,460	(61,210)	1,063,345	(1,111,115)	17,181,112	13,511,122
Amortization of tangible capital assets	710,612	262,639	1,365,371	1,496,588	59,087	-	839,007	4,733,304	4,173,969
NET REVENUE	5,939,021	9,380,107	(2,614,118)	749,872	(120,297)	1,063,345	(1,950,122)	12,447,808	9,337,153

The accompanying notes are an integral part of these financial statements.

Town of Slave Lake

For the Year Ended December 31, 2016

1. Significant Accounting Policies

The consolidated financial statements of the Town of Slave Lake are the representations of management prepared in accordance with Canadian public sector accounting standards 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:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net debt and financial position of the Town which comprises all the organizations that are accountable for the administration of their financial affairs and resources to the Town and are owned or controlled by the Town.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the Town.

Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

The consolidated 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 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 assets are acquired.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Town has used estimates to determine accrued liabilities, tangible capital asset useful lives, contributed tangible capital assets, landfill closure and post-closure liabilities, as well as provisions made for allowances for amounts receivable or any provision for impairment.

Town of Slave Lake

For the Year Ended December 31, 2016

1. Significant Accounting Policies continued

(d) Long term investments

Long term investments are recorded at market value.

(e) Inventories

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

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

(g) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

i) Tangible Capital Assets

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

	Years
Land	
Land improvements	10 - 45
Buildings	25 - 50
Engineered structures	10 - 75
Machinery and equipment	5 - 40
Vehicles	10 - 25

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

Town of Slave Lake

For the Year Ended December 31, 2016

1. Significant Accounting Policies continued

(g) Non-Financial Assets continued

i) Tangible Capital Assets continued

ii) 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.

iii) Leases

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

iv) Cultural and Historical Tangible Capital Assets

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

(h) Taxation Revenue

Taxation revenue is based on market value assessments determined in accordance with the *Municipal Government Act*. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the Town and are recognized as revenue in the year they are levied.

(i) Pension Expenditures

Contributions made by the Town to the defined contribution pension plan are recorded as expenditures in the year in which they are paid.

(j) Provision for Landfill Closure and Post-Closure Costs

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.

Town of Slave Lake

For the Year Ended December 31, 2016

2. Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash	5,097,361	5,472,552
Cash on hand - domestic currency	1,400	1,200
	<u>5,098,761</u>	<u>5,473,752</u>

3. Temporary Bank Indebtedness

The Town has access to Royal Bank of Canada ("RBC") demand loan at Prime less 0.25% and a Royal Bank of Canada overdraft. The loan is secured by a letter of agreement with the Royal Bank of Canada.

4. Receivable - Taxes and Grants in Place of Taxes

	2016	2015
	\$	\$
Current taxes and grants in place of taxes	597,038	175,035
Tax arrears and grants in place of taxes	79,274	357,523
	<u>676,312</u>	<u>532,558</u>
Less: allowance for doubtful accounts	<u>(10,000)</u>	<u>(7,890)</u>
	<u>666,312</u>	<u>524,668</u>

5. Long Term Investments

	2016	2015
	\$	\$
RBC Dominion operating account	28	6,666,834
RBC Dominion reserve account	12,446,123	12,229,495
	<u>12,446,151</u>	<u>18,896,329</u>

The RBC Dominion reserve account consists of eight guaranteed investment certificates with different banks and one Provincial bond. The investment certificates mature at different dates between 2017 and 2019 and earn interest between 1.25% and 2.75%. The Provincial bond matures in 2017 and earns interest at 3.82%.

The RBC Dominion operating account is related to the Legacy project for which the Town is merely acting as a trustee/project administrator and consists of three guaranteed investment certificates and a savings account. The investment certificates matured in 2016 and earn interest at 1.25% .

Town of Slave Lake

For the Year Ended December 31, 2016

6. Other Liabilities

\$245,000 (2015 - \$2,541,740) included in other liabilities is related to a Legacy project grant for which the Town is merely acting as the trustee/project administrator. \$483,189 (2015 - \$858,829) is related to deposits on account for water utilities and planning and development.

7. Deferred Revenue

Deferred revenue consists of the following:

	2016	2015
	\$	\$
Infrastructure recovery	51,120	2,765,477
Firesmart	3,077,303	3,453,849
Fire recovery	357,033	6,842
Basic Municipal Transportation Grant	996,269	1,022,166
Municipal Sustainability Grant	1,325,013	1,829,396
Government Centre Rent	869,140	869,140
Federal Gas Tax Fund	469,288	554,611
Donations	27,406	26,735
Other DRP	710,100	1,472,563
	7,882,672	12,000,779

8. Long Term Debt

Long term debt consists of the following:

	2016	2015
	\$	\$
Tax supported debentures	6,508,533	6,824,659
Special levy and utility supported debentures	1,645,773	1,832,757
Government Centre - supported by provincial lease payments	19,704,233	20,832,529
Total debt	27,858,539	29,489,945
Less:		
Current portion of long term debt	(1,705,486)	(1,631,405)
Long term portion of debt	26,153,053	27,858,540

Interest paid on long term debt amounted to \$1,301,048 (2015 - \$1,374,750).

Town of Slave Lake

For the Year Ended December 31, 2016

8. Long Term Debt continued

The Town's total cash payments for interest paid on long term debt during the year amounted to \$1,309,963 (2015 - 1,448,668).

	Principal	Interest	Total \$
2017	1,705,486	1,235,882	2,941,368
2018	1,782,974	1,158,394	2,941,368
2019	1,864,027	1,077,341	2,941,368
2020	1,948,810	992,558	2,941,368
2021	1,965,217	904,476	2,869,693
Thereafter	18,592,025	4,095,843	22,687,868
	27,858,539	9,464,494	37,323,033

Debenture debt is repayable to Alberta Capital Finance Authority. The debt bears interest at rates ranging from 3.37% to 9.75% per annum and matures in 2036.

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

9. Debt Limit

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 Slave Lake be disclosed as follows:

	2016 \$	2015 \$
Total Debt Limit	31,360,782	31,550,508
Temporary bank indebtedness and long term debt	27,858,539	29,489,945
Less debt related to the Government Centre	(19,704,233)	(20,832,529)
Total debt	8,154,306	8,657,416
Debt Limit Available	23,206,476	22,893,092
Debt Service Limit	5,226,797	5,258,418
Debt Service	2,941,368	2,941,368
Less debt service related to the Government Centre	(2,114,054)	(2,114,054)
Debt Service for the purpose of this calculation	827,314	827,314
Debt Service Limit Available	4,399,483	4,431,104

Town of Slave Lake

For the Year Ended December 31, 2016

9. Debt Limit continued

The debt limit is calculated at 1.5 times the revenue of the Town (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.

On February 28, 2008 Ministerial Order L:015/08 was issued authorizing the Town to exceed the regulated limits and borrow up to \$29 million to complete the construction of the new government centre. The extension is based on a 20 year repayment schedule and the assumption that the provincial lease payments will cover the annual repayment costs. Accordingly, the debt related to the construction has subtracted from the debt limits calculated above.

These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the consolidated financial statements must be interpreted as a whole.

10. Landfill Closure and Post-Closure Liability

The Alberta Environmental Protection and Enhancement Act sets out the regulatory requirements to properly close and maintain all active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites.

The liability recorded at December 31, 2016 is \$157,879 and represents the estimated present value of closure and post-closure costs using a discount rate of 4%. The closure of the landfill site is expected to be completed in the next two years. Closure will involve covering the site with topsoil and vegetation, and installing groundwater monitoring wells. Post-closure care activities are expected to occur for 25 years and will involve surface and ground water monitoring, and landfill cover maintenance.

The amount required to fund this liability was transferred from the Town's Garbage Disposal Reserve.

11. Other Environmental Liabilities

Public Sector Accounting Standards require environmental liabilities relating to contaminated sites to be recorded by 2015 or earlier. The Town commenced implementation of these requirements in 2010, recognizing the liability for remediation of salt contamination located on Town property. An actual expense of \$77,064 has been recorded in 2015 that brings the remaining total liability to \$341,101 as at December 31, 2016. This liability has been calculated by an independent firm of environmental engineers engaged by the Town and represents the present value cost of remediation and monitoring over the next 10 years.

12. Contingencies

A statement of claim had been filed against others and the Town by the Sawridge First Nation in the amount of \$2,000,000. The Sawridge First Nation is seeking compensation for land use for roads and utility corridors. The Town and Sawridge First Nation are currently negotiating to reach a settlement, however, the amount and nature of the settlement is unable to be determined at this time.

Town of Slave Lake

For the Year Ended December 31, 2016

13. 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 *Alberta Public Sector Pension Plans Act*. The LAPP serves about 250,000 people, and 435 employers. 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.

For 2016, the Town was 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. Employees of the Town are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary, and 14.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2016 were \$548,575 (2015 - \$501,294). Total current service contributions by the employees of the Town to the LAPP in 2016 were \$504,847 (2015 - \$461,079).

At December 31, 2016 the LAPP disclosed an actuarial deficiency of approximately \$923 million (2015 - \$2.4 billion).

14. Contractual Commitments

The Town contracts with the Government of Canada for the employment of the Royal Canadian Mounted Police to provide policing services. The related agreement may be terminated on March 31 in any year by either party by giving notice twenty four months prior to the date of the intended termination. Annual costs under the terms of the agreement are estimated to be approximately \$1,000,000 to \$1,400,000.

15. Equity in Tangible Capital Assets

	2016	2015
	\$	\$
Tangible Capital Assets	212,292,510	198,026,118
Accumulated amortization	(68,518,138)	(64,017,075)
Long term debt	(27,858,539)	(29,489,945)
	115,915,833	104,519,098

Town of Slave Lake

For the Year Ended December 31, 2016

16. Accumulated Surplus

	2016	2015
	\$	\$
Unrestricted surplus	1,258,500	1,083,652
Reserves		
Interest Bearing		
Street Light Reserve	226,400	224,938
Road Rehab Reserve (Note 17)	660,669	923,571
Off-Site Levy Reserve	929,134	923,134
Water - Future Capital Expenditures Reserve (Note 18)	5,007,953	4,273,971
Sewer - Off-Sites Reserve	161,909	148,198
Cemetery- Perpetual Care Reserve	62,859	59,961
Intersection Contributions	698,134	644,855
Reserve-2nd Avenue NW Road Contribution	193,183	191,935
Contingency School Lands	114,264	-
Reserve - Main Street Extension	209,566	-
Reserve - Caribou Collector	251,680	-
Non-interest Bearing		
Equipment (formerly Computer) Reserve	105,952	113,415
Fire - Truck & Rescue Unit Reserve	-	190,751
Emergency Road Reserve	60,000	40,000
Vehicle Replacement Reserve	374,774	268,065
Reserve - Main Street Extension	-	208,213
Garbage Disposal Reserve	636,288	716,098
Recreation - Parks Reserve	22,000	22,000
Reserve - Caribou Collector	-	250,055
Capital Building Reserve	1,536,921	1,536,864
Photo Radar Reserve	146,139	-
Contingency School Lands	-	113,526
Tax Stabilization Reserve	300,000	-
Administration Reserve	46,688	53,738
Fire Operating Reserve	35,000	-
	11,779,513	10,903,288
Equity in tangible capital assets	115,915,833	104,519,098
Balance, end of year	128,953,846	116,506,038

17. Road Rehabilitation Reserve

Town of Slave Lake

For the Year Ended December 31, 2016

17. Road Rehabilitation Reserve continued

In May 1996 Council passed a by-law restricting the use of Road Rehabilitation Program funds exclusively to road rehabilitation projects. The details of this account are as follows:

	2016	2015
	\$	\$
Balance, beginning of year	923,571	955,667
Revenue	150,436	388,980
Expenditures	(418,383)	(427,801)
Interest earned	5,145	6,725
Balance, end of year	660,769	923,571

Town of Slave Lake

For the Year Ended December 31, 2016

18. Utility Capital Reserve

A utility capital reserve has been established for the exclusive purpose of future upgrades to the water plant and water and sewer lines.

The details of this reserve are as follows:

	2016	2015
	\$	\$
Balance, beginning of year	4,273,971	2,117,986
Revenue	1,160,370	1,004,463
Transfers	-	2,248,671
Expenditures	(454,986)	(1,130,503)
Interest earned	28,600	33,354
Balance, end of year	5,007,955	4,273,971

Town of Slave Lake

For the Year Ended December 31, 2016

19. Salary and Benefits Disclosure

	# of Months	Salary (1) \$	Benefits and Allowances (2) \$	2016 Total \$	2015 Total \$
Mayor Warman	12	48,554	555	49,109	42,938
Councilor Busk	12	24,262	270	24,532	26,098
Councilor Missal	12	21,429	270	21,699	20,109
Councilor Mcgregor	9	19,746	243	19,989	-
Councilor Brandle	12	26,939	270	27,209	23,724
Councilor Lokken	12	24,234	270	24,504	17,389
Councilor Plouffe	1	4,783	44	4,827	27,886
Councilor Smith	12	26,724	270	26,994	27,414
		196,671	2,192	198,863	185,558
Town Manager	12	180,713	7,653	188,366	199,319
Designated officer (1 position) (2015 - 1 position)	12	121,435	947	122,382	131,887

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, group life insurance, car allowances, moving expenses and daily allowances.

20. Financial Instruments

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

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

Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

Town of Slave Lake

For the Year Ended December 31, 2016

21. Budgeted Figures

The 2016 budgeted figures that appear in the consolidated financial statements have not been audited.

22. Segmented Information

The Town provides a wide range of services to its citizens. 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 consolidated financial statements as disclosed in Note 1. For additional information see the Schedule of Segmented Disclosure (Schedule 6).

23. Approval of Consolidated Financial Statements

Council and Management approved the consolidated financial statements.

24. Other Revenue

	2016	2015
	\$	\$
Other	171,529	304,093
Donations	10,429	6,650
Contributions	8,525	7,387
	190,483	318,130