

Town of Slave Lake

Consolidated Financial Statements

For the Year Ended December 31, 2014

Town of Slave Lake

December 31, 2014

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**Town of Slave Lake
2014 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
July 7, 2015

Director of Finance

Allan J. Grykuliak, C.A.*
Scott T. Mockford, C.A.*

* Operates as a Professional Corporation

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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, 2014 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.

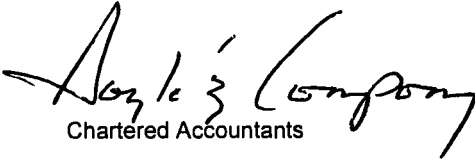
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 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

July 7, 2015


Chartered Accountants

Town of Slave Lake

Statement of Changes in Financial Position

December 31, 2014

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	16,295,091	5,065,709
Receivables		
Accounts receivable, net of allowances	7,292,895	13,883,458
Taxes and Grants in Lieu Receivable (Note 4)	588,304	738,188
Long term investments (Note 5)	18,585,072	18,250,463
Other long term assets	115,273	115,273
	42,876,635	38,053,091
LIABILITIES		
Accounts payable and accrued liabilities	4,225,218	5,083,413
Other liabilities (Note 6)	10,924,028	10,531,656
Deferred revenue (Note 7)	15,149,062	10,301,634
Long term debt (Note 8)	31,050,524	32,545,070
Provision for landfill closure and post-closure costs (Note 10)	162,060	166,139
Other environmental liabilities (Note 11)	418,165	470,331
	61,929,057	59,098,243
NET FINANCIAL DEBT	(19,052,422)	(21,045,152)
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Schedule 2)	125,902,972	113,237,973
Inventory of parts and supplies	309,036	281,449
Prepaid	9,299	49,367
	126,221,307	113,568,789
ACCUMULATED SURPLUS	107,168,885	92,523,637

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, 2014

	Budget	2014	2013
	\$	\$	\$
REVENUES			
Municipal Taxation (Schedule 3)	7,728,677	8,209,025	7,660,337
User fees and sales of goods	5,036,172	4,708,636	4,048,449
Interest income	142,000	344,701	178,981
Government Transfers for Operating(Schedule 4)	4,452,213	3,361,921	4,481,331
Development levies	-	494,454	118,036
Licenses and permits	170,134	200,204	163,249
Fines	125,500	99,097	103,942
Franchise and concession contracts	1,017,454	1,024,772	975,598
Rental income	3,274,254	3,037,810	3,017,680
Other revenue (Note 24)	30,200	478,045	220,469
Total Revenue	21,976,604	21,958,665	20,968,072
EXPENSES			
Legislative	252,767	261,909	207,797
Administration	2,657,917	2,348,470	2,715,312
Fire, police, bylaw enforcement and disaster recovery	5,437,807	4,725,714	4,164,450
Roads, streets, walks and lighting	2,238,032	2,188,756	2,174,453
Water and wastewater	1,943,630	1,546,977	1,596,034
Waste management	499,630	473,176	451,177
Family and community supports	232,439	293,142	218,005
Cemetery	22,262	18,807	20,554
Subdivision, planning, land and development	3,660,928	4,662,166	2,817,923
Parks, recreation and culture	2,885,933	2,765,975	2,639,121
Amortization expense	-	3,995,625	3,547,059
Total Expenses	19,831,345	23,280,717	20,551,885
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	2,145,259	(1,322,052)	416,187
OTHER			
Government Transfers for Capital (Schedule 4)	19,836,124	15,633,923	8,248,065
Insurance recoveries	-	132,821	368,065
Legacy	-	200,556	-
Donations for capital	(30,000)	-	18,800
Gain (loss) on disposal of assets	10,000	-	-
EXCESS OF REVENUE OVER EXPENSES	21,961,383	14,645,248	9,051,117
ACCUMULATED SURPLUS, BEGINNING OF YEAR		92,523,637	83,472,520
ACCUMULATED SURPLUS, END OF YEAR		107,168,885	92,523,637

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, 2014

	Budget	2014	2013
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	21,961,383	14,645,248	9,051,117
Acquisition of tangible capital assets	(23,949,474)	(16,660,622)	(10,615,498)
Amortization of tangible capital assets	-	3,995,625	3,547,059
Losses (gains) on disposal of tangible capital assets	(10,000)	-	-
	(23,959,474)	(12,664,997)	(7,068,439)
Use (Acquisition) of inventories	-	(27,587)	(4,671)
Use (Acquisition) of prepaid assets	-	40,066	7,573
	-	12,479	2,902
DECREASE (INCREASE) IN NET DEBT	(1,998,091)	1,992,730	1,985,580
NET FINANCIAL DEBT, BEGINNING OF YEAR	-	(21,045,152)	(23,030,732)
NET FINANCIAL DEBT, END OF YEAR	-	(19,052,422)	(21,045,152)

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

Town of Slave Lake

Consolidated Statement of Cash Flows

For the Year Ended For the Year Ended December 31, 2014

	2014	2013
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenue over expenses	14,645,239	9,051,118
Non-Cash items included in excess of revenues over expenditures		
Amortization of tangible assets	3,995,625	3,547,059
Non-cash charges to operations (net charge)		
Decrease (increase) in taxes and grants in lieu receivable	149,884	379,649
Decrease (increase) in trade and other receivables	6,590,568	(6,137,136)
Decrease (increase) in prepaid expenditures	40,063	7,575
Decrease (increase) in deferred costs	-	57,355
Decrease (increase) in inventory for consumption	(27,587)	(4,671)
Increase (decrease) in accounts payable and accrued liabilities	(858,188)	(1,150,124)
Increase (decrease) in deferred revenue	4,847,428	2,050,569
Increase (decrease) in environmental liability	(56,245)	(20,489)
Increase (decrease) in other liabilities	392,372	4,900,505
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	29,719,159	12,681,410
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in long-term investments	(334,610)	(2,679,836)
NET CASH USED BY INVESTING ACTIVITIES	(334,610)	(2,679,836)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt repaid	(1,494,546)	(1,429,655)
NET CASH USED BY FINANCING ACTIVITIES	(1,494,546)	(1,429,655)
CAPITAL ACTIVITIES:		
Acquisition of Tangible Capital Assets	(16,660,621)	(10,615,499)
Net cash increase (decreases) in cash and cash equivalents	11,229,382	(2,043,580)
Cash and cash equivalents at beginning of year	5,065,709	7,109,289
Cash and cash equivalents at end of period	16,295,091	5,065,709

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 For the Year Ended December 31, 2014

	Unrestricted Surplus \$	Restricted Surplus \$	Equity in Tangible Capital Assets \$	2014 \$	2013 \$
BALANCE, BEGINNING OF YEAR	(79,778)	11,910,512	80,692,903	92,523,637	83,472,520
Excess of revenues over expenses	14,645,248	-	-	14,645,248	9,051,117
Unrestricted funds designated for future use	(103,737)	103,737	-	-	-
Restricted funds for tangible capital assets	-	(752,283)	752,283	-	-
Current year funds used for tangible capital assets	(15,908,342)	-	15,908,342	-	-
Amortization of tangible capital assets	3,995,625	-	(3,995,625)	-	-
Long-term debt repaid	(1,494,545)	-	1,494,545	-	-
	1,134,249	(648,546)	14,159,545	14,645,248	9,051,117
BALANCE, END OF YEAR	1,054,471	11,261,966	94,852,448	107,168,885	92,523,637

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 For the Year Ended December 31, 2014

	Land	Land Improvements	Buildings	Construction in Progress	Engineered Structures	Machinery and Equipment	Vehicles	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST:									
Balance, beginning of year	1,953,289	6,476,056	52,779,434	2,518,671	99,005,847	3,156,683	3,404,820	169,294,800	158,679,302
Transfers	-	2,461,654	83,558	(4,980,325)	2,435,113	-	-	-	-
Acquisition of tangible capital assets	-	2,674,843	1,506,944	10,361,587	1,463,484	398,403	255,361	16,660,622	10,615,498
Balance, end of year	1,953,289	11,612,553	54,369,936	7,899,933	102,904,444	3,555,086	3,660,181	185,955,422	169,294,800
ACCUMULATED AMORTIZATION									
Balance, beginning of year	-	1,183,614	4,564,292	-	46,857,963	1,729,746	1,721,210	56,056,825	52,509,768
Annual amortization	-	294,462	1,073,352	-	2,215,537	208,221	204,053	3,995,625	3,547,059
Balance, end of year	-	1,478,076	5,637,644	-	49,073,500	1,937,967	1,925,263	60,052,450	56,056,827
NET BOOK VALUE	1,953,289	10,134,477	48,732,292	7,899,933	53,830,944	1,617,119	1,734,918	125,902,972	113,237,973

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 For the Year Ended December 31, 2014

	Budget	2014	2013
	\$	\$	\$
TAXATION			
Real property taxes	6,896,057	7,478,666	7,061,392
Education Tax Collection	2,421,827	2,508,352	2,502,097
Seniors Foundation Collection	291,392	292,500	285,398
Linear property taxes	125,565	127,462	121,224
Government grants in place of property taxes	410,803	444,982	-
Special assessments and local improvement taxes	147,955	49,214	279,797
Penalties and costs	148,297	154,842	132,673
	10,441,896	11,056,018	10,382,581
REQUISITIONS			
Education - Alberta School Foundation Fund and Living Waters Catholic Region Division #42	2,421,827	2,555,601	2,444,889
Lesser Slave Lake Regional Housing Authority	291,392	291,392	277,355
	2,713,219	2,846,993	2,722,244
NET MUNICIPAL TAXES	7,728,677	8,209,025	7,660,337

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 For the Year Ended December 31, 2014

	Budget	2014	2013
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial Government	3,388,358	2,389,479	3,513,407
Federal Government	261,756	258,756	512,254
Local Government	802,099	713,686	455,670
	4,452,213	3,361,921	4,481,331
TRANSFERS FOR CAPITAL			
Provincial Government	19,636,124	15,436,273	8,248,065
Local Government	200,000	197,650	-
	19,836,124	15,633,923	8,248,065
	24,288,337	18,995,844	12,729,396

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 For the Year Ended December 31, 2014

	Budget	2014	2013
	\$	\$	\$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	6,544,243	6,369,261	5,885,387
Contracted and general services	6,735,670	5,693,823	5,549,715
Materials, goods and utilities	2,763,993	5,232,664	3,097,986
Transfers to individuals and organizations	390,831	237,029	507,864
Bank charges	6,500	7,889	6,717
Interest on bonds and debentures	1,448,668	1,448,668	1,509,303
Amortization of tangible capital assets	-	3,995,625	3,547,059
Other operating expenses	1,941,440	295,758	447,854
	19,831,345	23,280,717	20,551,885

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, 2014

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health and Welfare	Planning & Development	Recreation & Culture	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE									
Taxes net of requisitions	8,159,811	-	49,214	-	-	-	-	8,209,025	7,660,337
User fees and sales of goods	41,892	403,068	30	3,586,017	22,826	383,480	271,323	4,708,636	4,048,449
Interest income	315,039	-	-	-	-	29,662	-	344,701	178,981
Government Transfers for Operating	88,586	2,534,715	128,003	-	198,523	138,720	273,374	3,361,921	4,481,331
Government Transfers for Capital	1,472,955	8,850,717	1,751,549	271,247	197,650	2,214,854	874,951	15,633,923	8,248,065
Development levies	-	-	409,561	84,893	-	-	-	494,454	118,036
Rental income	29,709	-	-	-	-	2,828,451	179,650	3,037,810	3,017,680
Licenses and permits	95,814	2,267	23,816	-	417	77,890	-	200,204	163,249
Fines	-	99,097	-	-	-	-	-	99,097	103,942
Franchise and concession contracts	1,024,772	-	-	-	-	-	-	1,024,772	975,598
Other revenue	134,569	21,869	-	-	13,600	451,675	189,709	811,422	607,334
	11,363,147	11,911,733	2,362,173	3,942,157	433,016	6,124,732	1,789,007	37,925,965	29,603,002
EXPENSES									
Salaries, wages and benefits	1,377,902	1,698,417	813,239	536,404	222,977	442,592	1,277,730	6,369,261	5,885,387
Contracted and general services	844,106	2,573,252	467,056	689,473	49,231	494,286	576,419	5,693,823	5,549,715
Materials, goods and utilities	66,004	450,918	823,312	713,176	14,388	2,647,169	517,697	5,232,664	3,097,986
Transfers to individuals and organizations	18,714	(150,369)	60,000	-	25,353	-	283,331	237,029	507,864
Bank charges	7,889	-	-	-	-	-	-	7,889	6,717
Interest on bonds and debentures	-	14,776	25,149	81,100	-	1,216,839	110,804	1,448,668	1,509,303
Other operating expenses	295,758	-	-	-	-	-	-	295,758	447,854
	2,610,373	4,586,994	2,188,756	2,020,153	311,949	4,800,886	2,765,981	19,285,092	17,004,826
NET REVENUE BEFORE AMORTIZATION	8,752,774	7,324,739	173,417	1,922,004	121,067	1,323,846	(976,974)	18,640,873	12,598,176
Amortization of tangible capital assets	695,420	189,730	1,244,778	1,196,456	2,783	-	666,458	3,995,625	3,547,059
NET REVENUE	8,057,354	7,135,009	(1,071,361)	725,548	118,284	1,323,846	(1,643,432)	14,645,248	9,051,117

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

Town of Slave Lake

For the Year Ended December 31, 2014

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 Canadian Institute of Chartered Accountants. 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, 2014

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, 2014

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, 2014

2. Cash and Cash Equivalents

	2014	2013
	\$	\$
Cash	16,294,691	5,065,332
Cash on hand - domestic currency	400	377
	16,295,091	5,065,709

3. Temporary Bank Indebtedness

The Town has access to a prime subtract 0.25% Royal Bank of Canada ("RBC") demand loan 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

	2014	2013
	\$	\$
Current taxes and grants in place of taxes	475,788	662,336
Tax arrears and grants in place of taxes	357,618	291,818
	833,406	954,154
Less: allowance for doubtful accounts	(245,102)	(215,966)
	588,304	738,188

5. Long Term Investments

	2014	2013
	\$	\$
RBC Dominion operating account	6,586,411	6,491,064
RBC Dominion reserve account	11,998,661	11,759,399
	18,585,072	18,250,463

The RBC Dominion reserve account consists of eight guaranteed investment certificates with different banks, two mutual funds, and one Provincial bond. The investment certificates mature at different dates between 2015 and 2019 and earn interest between 1.76% 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 two guaranteed investment certificates, a mutual fund and a savings account. The investment certificates mature at different dates in 2015 and earn interest between 1.45% and 1.66%.

Town of Slave Lake

For the Year Ended December 31, 2014

6. Other Liabilities

\$9,982,997 (2013 - \$9,396,193) included in other liabilities is related to Legacy project grant for which the Town is merely acting as the trustee/project administrator. \$941,031 (2013 - \$1,135,463) is related to deposits on account for water utilities and planning and development.

7. Deferred Revenue

Deferred revenue consists of the following:

	2014	2013
	\$	\$
Infrastructure recovery	3,999,533	1,123,179
Firesmart	3,799,628	456,599
Fire recovery	2,517,397	2,689,561
Transportation Grant	2,126,585	2,258,917
Municipal Sustainability Grant	1,381,028	1,631,717
Government Centre Rent	869,140	869,140
Federal Gas Tax Fund	351,367	110,675
Donations	94,542	20,720
AMIP	9,842	1,141,126
	15,149,062	10,301,634

8. Long Term Debt

Long term debt consists of the following:

	2014	2013
	\$	\$
Tax supported debentures	7,128,950	7,423,535
Special levy and utility supported debentures	2,012,977	2,186,679
Government Centre - supported by provincial lease payments	21,908,597	22,934,856
Total debt	31,050,524	32,545,070
Less:		
Current portion of long term debt	(1,560,579)	(1,494,546)
Long term portion of debt	29,489,945	31,050,524

Interest paid on long term debt amounted to \$1,448,668 (2013 - \$1,509,303).

Town of Slave Lake

For the Year Ended December 31, 2014

8. Long Term Debt continued

The Town's total cash payments for interest paid on long term debt during the year amounted to \$1,448,668 (2013 - 1,513,560).

	Principal	Interest	Total \$
2015	1,560,579	1,380,789	2,941,368
2016	1,631,405	1,309,963	2,941,368
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
Thereafter	22,506,053	5,992,877	28,498,930
	31,050,524	12,155,246	43,205,770

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 periods from 2015 to 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:

	2014 \$	2013 \$
Total Debt Limit	32,937,998	31,452,108
Temporary bank indebtedness and long term debt	31,050,524	32,545,070
Less debt related to the Government Centre	(21,908,597)	(22,934,856)
Total debt	9,141,927	9,610,214
Debt Limit Available	23,796,071	21,841,894
Debt Service Limit	5,489,666	5,242,018
Debt Service	2,941,368	2,943,214
Less debt service related to the Government Centre	(2,114,054)	(2,114,054)
Debt Service for the purpose of this calculation	827,314	829,160
Debt Service Limit Available	4,662,352	4,412,858

Town of Slave Lake

For the Year Ended December 31, 2014

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, 2014 is \$162,060 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 \$52,166 has been recorded in 2014 that brings the remaining total liability to \$418,165 as at December 31, 2014. 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.

The Sawridge Plaza Corporation has filed a statement of claim against the Town of Slave Lake and others alleging employees or agents of the Town drove machinery through a section of the shopping plaza during fire fighting efforts to control a wild fire on May 15, 2011. The plaintiffs allege the plaza sustained severe structural damage as a result of this action and are seeking recovery for their uninsured losses. The likelihood and amount of loss, if any, is unknown at this time.

A contractor for the Town claims to be owed \$71,000 plus interest for work performed. The Town's position is that there were significant deficiencies and some aspects of the contract that were never performed. The parties are exploring mediation and proceeding to arbitration. The likelihood and amount of loss, if any, is unknown at this time.

Town of Slave Lake

For the Year Ended December 31, 2014

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 223,643 people, and 428 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 2014, 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 2014 were \$463,701 (2013 - \$333,307). Total current service contributions by the employees of the Town to the LAPP in 2014 were \$426,269 (2013 - \$303,919).

At December 31, 2014 the LAPP disclosed an actuarial deficiency of approximately \$5 billion (2013 - \$4.86 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

	2014	2013
	\$	\$
Tangible Capital Assets	185,955,422	169,294,800
Accumulated amortization	(60,052,450)	(56,056,827)
Long term debt	(31,050,524)	(32,545,070)
	94,852,448	80,692,903

Town of Slave Lake

For the Year Ended December 31, 2014

16. Accumulated Surplus

	2014	2013
	\$	\$
Unrestricted surplus	1,054,471	(79,778)
Reserves		
Interest Bearing		
Town Building Maintenance Reserve	660,406	644,361
Street Light Reserve	223,254	217,830
Road Rehab Reserve (Note 17)	955,667	1,932,565
Off-Site Levy Reserve	916,221	817,172
Water - Future Capital Expenditures Reserve (Note 18)	2,117,986	2,618,241
Utility Operating Surplus Reserve	336,831	811,478
Sewer - Off-Sites Reserve	147,088	111,229
Cemetery- Perpetual Care Reserve	57,012	53,157
Intersection Contributions	640,026	-
Reserve-2nd Avenue NW Road Contribution	190,498	458,481
Recreation - Performing Arts Theatre Reserve	-	18,585
Tourist Booth Reserve	124,505	121,480
Recreation - Parklands Reserve	53,738	52,432
Reserve - Recreation & Culture Facility	169,724	165,601
Non-interest Bearing		
Computer Reserve	107,829	124,842
General Operating Reserve	29,492	29,492
Fire - Truck & Rescue Unit Reserve	308,328	216,119
Emergency Road Reserve	20,000	-
Vehicle Replacement Reserve	260,930	124,720
Reserve - Main Street Extension	206,654	206,654
Capital Sewer Reserve	1,911,840	1,331,804
Garbage Disposal Reserve	692,982	620,712
Recreation - Parks Reserve	22,223	22,223
Reserve - Caribou Collector	248,182	248,182
Capital Building Reserve	569,904	583,786
Arena - Capital Equipment Reserve	-	118,720
Contingency School Lands	113,526	113,526
Tax Stabilization Reserve	33,605	33,605
Administration Reserve	24,765	24,765
Fire Operating Reserve	30,000	20,000
Planning Reserve	28,750	28,750

Town of Slave Lake

For the Year Ended December 31, 2014

16. Accumulated Surplus continued

	2014	2013
	\$	\$
NLAC Reserve	60,000	40,000
	11,261,966	11,910,512
Equity in tangible capital assets	94,852,448	80,692,903
Balance, end of year	107,168,885	92,523,637

17. Road Rehabilitation Reserve

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:

	2014	2013
	\$	\$
Balance, beginning of year	1,932,565	1,921,753
Revenue	362,236	-
Expenditures	(1,374,528)	(40,705)
Interest earned	35,394	51,517
Balance, end of year	955,667	1,932,565

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:

	2014	2013
	\$	\$
Balance, beginning of year	2,618,241	2,092,590
Revenue	319,034	488,106
Expenditures	(877,688)	(32,250)
Interest earned	58,399	69,795
Balance, end of year	2,117,986	2,618,241

Town of Slave Lake

For the Year Ended December 31, 2014

19. Salary and Benefits Disclosure

	# of Months	Salary (1) \$	Benefits and Allowances (2) \$	2014 Total \$	2013 Total \$
Mayor Pillay-Kinnee	-	-	-	-	23,604
Mayor Warman	12	47,584	365	47,949	13,376
Councilor Irwin	-	-	-	-	15,482
Councilor Tradewell	-	-	-	-	15,402
Councilor Procyshyn	-	-	-	-	18,619
Councilor Busk	12	22,655	179	22,834	19,312
Councilor Missal	12	25,044	179	25,223	18,363
Councilor Warman	-	-	-	-	15,999
Councilor Brandle	12	25,092	179	25,271	5,111
Councilor Lokken	12	21,373	179	21,552	2,588
Councilor Plouffe	12	29,623	179	29,802	1,224
Councilor Smith	12	26,750	179	26,929	4,483
		198,121	1,439	199,560	153,563
Town Manager	12	116,875	28,745	145,620	118,577
Designated officer (1 position) (2013 - 1 position)	12	107,177	18,168	125,345	128,487

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, 2014

21. Budgeted Figures

The 2014 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

	2014	2013
	\$	\$
Other	72,285	87,571
Donations	145,541	128,534
Contributions	12,500	4,364
Insurance proceeds	247,719	-
	478,045	220,469

25. Reconciliation of Operating Results to Budget

For the year ended December 31, 2014 the Town did not include amortization in the preparation of its budget. As a result of this, the reconciliation below has been provided for information purposes only to provide users with supplementary comparative information. It should not be used as a replacement for the information provided on the statement of operations.

	2014 Budget	2014 Actual	2013 Actual
	\$	\$	\$
"Excess of revenue over expenses - before other"	2,145,259	(1,322,052)	416,187
"Addback:"			
Amortization	-	3,995,625	3,547,059
Results of operations before amortization	2,145,259	2,673,573	3,963,246