

SMOKY LAKE COUNTY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2015



INDEPENDENT AUDITOR'S REPORT

To the Reeve and Council of the Smoky Lake County

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

ST. PAUL, ALBERTA
March 24, 2016

JMD Group LLP
CHARTERED ACCOUNTANTS

**SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
Financial assets		
Cash	\$ 13,763,445	\$ 11,167,014
Taxes and grants in place receivable (note 2)	291,182	220,074
Receivables from other governments	519,445	637,221
Trade and other receivables	516,952	797,565
Investment in Gas Alberta Inc. (note 3)	67,962	67,962
Investment in Corridor Communications Inc. (note 4)	<u>1,099,894</u>	<u>1,116,932</u>
	<u>16,258,880</u>	<u>14,006,768</u>
Liabilities		
Accounts payable and accrued liabilities	527,815	758,813
Employee obligations (note 5)	1,251,395	1,084,496
Deposit liabilities	170,365	105,465
Deferred revenue (note 6)	774,285	488,895
Tax sale surplus	<u>45,387</u>	<u>44,979</u>
	<u>2,769,247</u>	<u>2,482,648</u>
Net financial assets	<u>13,489,633</u>	<u>11,524,120</u>
Non-financial assets		
Tangible capital assets (schedule 2)	39,233,661	39,218,977
Inventory (note 8)	2,569,791	2,138,427
Prepaid expenses	<u>141,478</u>	<u>155,259</u>
	<u>41,944,930</u>	<u>41,512,663</u>
Accumulated surplus (note 10)	<u>\$ 55,434,563</u>	<u>\$ 53,036,783</u>

Contingent liabilities (note 12)

ON BEHALF OF THE SMOKY LAKE COUNTY



Reeve



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**SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Revenues			
Net municipal taxes (schedule 3)	\$ 10,090,114	\$ 10,256,279	\$ 9,100,915
Sales of goods and services	615,704	898,519	830,298
Government transfers for operating (schedule 4)	2,467,403	1,359,709	1,122,957
Investment income	102,300	93,652	116,602
Penalties and costs of taxes	51,500	49,871	44,471
Licenses and permits	74,740	263,397	139,238
Special levies and taxes	17,758	250,995	231,745
Insurance recoveries	67,000	65,859	84,863
Insurance proceeds	--	385	32,155
Rentals and leases	37,329	36,059	50,411
Natural gas	<u>3,369,886</u>	<u>2,675,901</u>	<u>3,710,460</u>
	<u>16,893,734</u>	<u>15,950,626</u>	<u>15,464,115</u>
Expenses			
Legislative	449,424	435,656	409,156
Administration	2,037,104	2,027,978	1,848,583
Protective services	788,706	754,123	746,644
Transportation	8,077,138	5,923,653	6,307,122
Water and wastewater	429,177	550,111	760,715
Landfill	435,341	416,890	399,591
Further Education	51,480	105,343	53,986
Agriculture services	802,499	748,738	628,538
Municipal planning, community and economic development	831,992	442,003	565,398
Recreation and culture	469,553	433,236	415,633
Natural gas	<u>3,114,010</u>	<u>2,789,704</u>	<u>3,727,945</u>
	<u>17,486,424</u>	<u>14,627,435</u>	<u>15,863,311</u>
Excess (deficiency) of revenues over expenses before other	(592,690)	1,323,191	(399,196)
Other			
Gain (loss) on disposal of tangible capital assets	180,600	52,260	(13,939)
Government transfers for capital (schedule 4)	1,324,000	1,022,329	3,169,145
Contributed land	--	--	373,650
Transfer from local boards or agencies	--	--	10,000
Excess of revenues over expenses	911,910	2,397,780	3,139,660
Accumulated surplus, beginning of year	<u>53,036,783</u>	<u>53,036,783</u>	<u>49,897,123</u>
Accumulated surplus, end of year	<u>\$ 53,948,693</u>	<u>\$ 55,434,563</u>	<u>\$ 53,036,783</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Excess of revenues over expenses	\$ <u>911,910</u>	\$ <u>2,397,780</u>	\$ <u>3,139,660</u>
Acquisition of tangible capital assets	(3,041,274)	(2,279,376)	(4,286,035)
Proceeds on disposal of tangible capital assets	180,600	184,600	341,139
Contributed land	--	--	(373,650)
Amortization of tangible capital assets	2,174,440	2,132,352	2,213,995
(Gain) loss on disposal of tangible capital assets	<u>(180,600)</u>	<u>(52,260)</u>	<u>13,939</u>
	<u>(866,834)</u>	<u>(14,684)</u>	<u>(2,090,612)</u>
Acquisition of inventory	--	(2,832,124)	(3,094,014)
Use of inventory	--	2,400,760	2,597,018
Acquisition of prepaid assets	--	(262,675)	(155,259)
Use of prepaid assets	<u>--</u>	<u>276,456</u>	<u>113,245</u>
	<u>--</u>	<u>(417,583)</u>	<u>(539,010)</u>
Increase in net financial assets	45,076	1,965,513	510,038
Net financial assets, beginning of year	<u>11,524,120</u>	<u>11,524,120</u>	<u>11,014,082</u>
Net financial assets, end of year	\$ <u>11,569,196</u>	\$ <u>13,489,633</u>	\$ <u>11,524,120</u>

**SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>2015</u>	<u>2014</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 2,397,780	\$ 3,139,660
Non-cash items included		
Amortization of tangible capital assets	2,132,352	2,213,995
Contributed land	--	(373,650)
(Gain) loss on disposal of tangible capital assets	(52,260)	13,939
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(71,108)	(9,886)
Receivables from other governments	117,776	(235,970)
Trade and other receivables	280,613	(47,646)
Inventory	(431,364)	(496,996)
Prepaid expenses	13,781	(42,014)
Increase (decrease) in		
Accounts payable and accrued liabilities	(230,998)	(153,869)
Employee obligations	166,899	507,299
Deposit liabilities	64,900	4,800
Deferred revenue	285,390	(555,384)
Tax sale surplus	408	(3,887)
	<u>4,674,169</u>	<u>3,960,391</u>
Capital		
Acquisition of tangible capital assets	(2,279,376)	(4,286,035)
Proceeds on disposal of tangible capital assets	<u>184,600</u>	<u>341,139</u>
	<u>(2,094,776)</u>	<u>(3,944,896)</u>
Financing and Investing		
Long-term debt repaid	--	(6,083)
Corridor Communications Inc. – shareholder’s loan	<u>17,038</u>	<u>--</u>
	<u>17,038</u>	<u>(6,083)</u>
Change in cash during the year	2,596,431	9,412
Cash, beginning of year	<u>11,167,014</u>	<u>11,157,602</u>
Cash, end of year	<u>\$ 13,763,445</u>	<u>\$ 11,167,014</u>

SMOKY LAKE COUNTY
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ <u>5,073,519</u>	\$ <u>8,744,287</u>	\$ <u>39,218,977</u>	\$ <u>53,036,783</u>	\$ <u>49,897,123</u>
Excess of revenues over expenses	2,397,780	--	--	2,397,780	3,139,660
Unrestricted funds designated for future use	(2,584,116)	2,584,116	--	--	--
Restricted funds used for operations	33,000	(33,000)	--	--	--
Current year funds used for tangible capital assets	(2,340,883)	--	2,340,883	--	--
Disposal of tangible capital assets	193,847	--	(193,847)	--	--
Annual amortization expense	<u>2,132,352</u>	<u>--</u>	<u>(2,132,352)</u>	<u>--</u>	<u>--</u>
Change in accumulated surplus	<u>(168,020)</u>	<u>2,551,116</u>	<u>14,684</u>	<u>2,397,780</u>	<u>3,139,660</u>
Balance, end of year	\$ <u>4,905,499</u>	\$ <u>11,295,403</u>	\$ <u>39,233,661</u>	\$ <u>55,434,563</u>	\$ <u>53,036,783</u>

SMOKY LAKE COUNTY
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>2015</u>	<u>2014</u>
Cost								
Balance, beginning of year	\$ 5,115,928	\$ 953,678	\$ 4,505,342	\$ 45,320,337	\$ 9,953,474	\$ 5,297,289	\$ 71,146,048	\$ 67,232,561
Acquisition of tangible capital assets	--	151,856	--	840,258	919,230	322,088	2,233,432	4,588,966
Construction-in-progress	--	--	--	45,944	--	--	45,944	70,720
Disposal of tangible capital assets	<u>(2,340)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(337,628)</u>	<u>--</u>	<u>(339,968)</u>	<u>(746,199)</u>
Balance, end of year	<u>5,113,588</u>	<u>1,105,534</u>	<u>4,505,342</u>	<u>46,206,539</u>	<u>10,535,076</u>	<u>5,619,377</u>	<u>73,085,456</u>	<u>71,146,048</u>
Accumulated amortization								
Balance, beginning of year	--	680,728	1,126,378	23,713,712	3,781,096	2,625,157	31,927,071	30,104,196
Annual amortization	--	44,599	70,685	1,121,838	593,958	301,272	2,132,352	2,213,995
Accumulated amortization on disposals	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(207,628)</u>	<u>--</u>	<u>(207,628)</u>	<u>(391,120)</u>
Balance, end of year	<u>--</u>	<u>725,327</u>	<u>1,197,063</u>	<u>24,835,550</u>	<u>4,167,426</u>	<u>2,926,429</u>	<u>33,851,795</u>	<u>31,927,071</u>
Net book value of tangible capital assets	<u>\$ 5,113,588</u>	<u>\$ 380,207</u>	<u>\$ 3,308,279</u>	<u>\$ 21,370,989</u>	<u>\$ 6,367,650</u>	<u>\$ 2,692,948</u>	<u>\$ 39,233,661</u>	<u>\$ 39,218,977</u>
2014 Net book value of tangible capital assets	\$ <u>5,115,928</u>	\$ <u>272,950</u>	\$ <u>3,378,964</u>	\$ <u>21,606,625</u>	\$ <u>6,172,378</u>	\$ <u>2,672,132</u>	\$ <u>39,218,977</u>	

**SMOKY LAKE COUNTY
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budget</u> (unaudited)	<u>2015</u>	<u>2014</u>
Levies			
Residential and farmland	\$ 2,907,951	\$ 2,945,035	\$ 2,791,995
Non-residential	750,754	764,164	735,486
Machinery and equipment	1,522,508	1,563,389	1,543,352
Linear property	7,284,957	7,361,963	6,453,582
Grants in place	<u>72,284</u>	<u>70,067</u>	<u>70,548</u>
	<u>12,538,454</u>	<u>12,704,618</u>	<u>11,594,963</u>
Requisitions			
Alberta School Foundation Fund	1,941,999	1,941,998	1,905,429
Smoky Lake Foundation	<u>506,341</u>	<u>506,341</u>	<u>588,619</u>
	<u>2,448,340</u>	<u>2,448,339</u>	<u>2,494,048</u>
Net municipal taxes	<u>\$ 10,090,114</u>	<u>\$ 10,256,279</u>	<u>\$ 9,100,915</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ --	\$ 1,607	\$ 2,615
Provincial	2,362,236	1,251,758	1,031,527
Other local governments	<u>105,167</u>	<u>106,344</u>	<u>88,815</u>
	2,467,403	1,359,709	1,122,957
Transfers for capital			
Provincial	<u>1,324,000</u>	<u>1,022,329</u>	<u>3,169,145</u>
Total government transfers	<u>\$ 3,791,403</u>	<u>\$ 2,382,038</u>	<u>\$ 4,292,102</u>

SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 6,899,139	\$ 6,593,367	\$ 6,338,927
Contracted and general services	3,424,137	2,636,124	2,501,201
Purchases from other governments	229,000	70,173	134,175
Materials, goods, supplies and utilities	2,739,579	1,626,759	1,778,046
Provision for allowances and bad debts	--	22,961	41,090
Transfers to other governments	24,000	77,596	376,568
Transfers to individuals and organizations	277,077	207,492	189,764
Bank charges and short-term interest	8,440	2,962	2,736
Tax adjustments	6,000	3,642	2,131
Natural gas purchases	1,704,612	1,254,007	2,284,678
Amortization of tangible capital assets	<u>2,174,440</u>	<u>2,132,352</u>	<u>2,213,995</u>
Total expenses	<u>\$ 17,486,424</u>	<u>\$ 14,627,435</u>	<u>\$ 15,863,311</u>

**SMOKY LAKE COUNTY
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Agriculture</u>	<u>Planning, Community Services</u>	<u>Recreation and Culture</u>	<u>Gas</u>	<u>Total</u>
Revenue									
Net municipal taxes	\$ 10,256,279	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 10,256,279
Government transfers	106,343	305,893	1,482,632	--	193,359	183,118	77,607	33,086	2,382,038
User fees and sales of goods	93,463	155,197	385,557	259,529	3,229	1,544	--	2,675,901	3,574,420
Investment income	81,131	--	--	--	--	--	--	12,521	93,652
Gain on disposal of assets	1,660	--	50,600	--	--	--	--	--	52,260
Other revenues	<u>29,882</u>	<u>24,788</u>	<u>243,245</u>	<u>7,749</u>	<u>143</u>	<u>337,108</u>	<u>23,651</u>	<u>--</u>	<u>666,566</u>
	<u>10,568,758</u>	<u>485,878</u>	<u>2,162,034</u>	<u>267,278</u>	<u>196,731</u>	<u>521,770</u>	<u>101,258</u>	<u>2,721,508</u>	<u>17,025,215</u>
Expenses									
Salaries and wages	1,152,682	296,313	2,887,734	453,471	439,604	240,625	197,255	925,683	6,593,367
Contract and general services	600,019	198,063	1,077,135	192,789	155,611	220,057	27,049	235,574	2,706,297
Goods and supplies	165,742	96,954	876,124	93,926	120,798	1,525	79,275	1,446,422	2,880,766
Transfers to others	46,352	--	--	77,597	--	85,139	76,000	--	285,088
Other expenses	<u>26,477</u>	<u>--</u>	<u>--</u>	<u>1,621</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,467</u>	<u>29,565</u>
	<u>1,991,272</u>	<u>591,330</u>	<u>4,840,993</u>	<u>819,404</u>	<u>716,013</u>	<u>547,346</u>	<u>379,579</u>	<u>2,609,146</u>	<u>12,495,083</u>
Net revenue before amortization	8,577,486	(105,452)	(2,678,959)	(552,126)	(519,282)	(25,576)	(278,321)	112,362	4,530,132
Amortization expense	<u>(472,362)</u>	<u>(162,793)</u>	<u>(1,082,660)</u>	<u>(147,597)</u>	<u>(32,725)</u>	<u>--</u>	<u>(53,657)</u>	<u>(180,558)</u>	<u>(2,132,352)</u>
Net revenue	<u>\$ 8,105,124</u>	<u>\$ (268,245)</u>	<u>\$ (3,761,619)</u>	<u>\$ (699,723)</u>	<u>\$ (552,007)</u>	<u>\$ (25,576)</u>	<u>\$ (331,978)</u>	<u>\$ (68,196)</u>	<u>\$ 2,397,780</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Significant Accounting Policies

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

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the county and are, therefore, accountable to the county Council for the administration of their financial affairs and resources. Included with the county is the Smoky Lake Heritage Board.

The schedule of taxes levied also includes requisitions for education 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.

(b) 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.

(c) Cash

Cash is defined as petty cash and cash in chequing and savings accounts adjusted for outstanding cheques and deposits.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

I. Significant Accounting Policies - continued

(d) Investments

Investments are recorded at amortized cost. 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.

(e) Use of Estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenses 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.

(f) 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.

(g) 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.

(h) 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 for the year.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Significant Accounting Policies – continued

(h) Non-Financial Assets - continued

(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 costs, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

	<u>Years</u>
Land improvements	10-25
Buildings	50
Engineered structures	
Roadway system	15
Water systems	18-40
Wastewater systems	18-40
Bridges	50-150
Gas distribution system	40-50
Machinery and equipment	20-30
Vehicles	10-20

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

(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) Inventories

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

(j) 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.

2. Taxes and Grants in Place Receivable

	<u>2015</u>	<u>2014</u>
Current	\$ 244,879	\$ 171,086
Arrears	160,700	121,462
Less allowance for doubtful accounts	(114,397)	(72,474)
	\$ 291,182	\$ 220,074

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

3. Investment in Gas Alberta Inc.

Effective June 30, 1998, Gas Alberta, a branch of Alberta Transportation and Utilities, was privatized and operations assumed by Gas Alberta Inc. The shareholders of Gas Alberta Inc. are predominantly made up of members of the Federation of Alberta Gas Co-ops.

The county's investment in Gas Alberta Inc. consists of:

	<u>2015</u>	<u>2014</u>
Class A common shares	\$ 462	\$ 462
Loan receivable	<u>67,500</u>	<u>67,500</u>
	<u>\$ 67,962</u>	<u>\$ 67,962</u>

The loan is non-interest bearing and is secured by a debenture. The loan is due upon the expiration of the contract and may be repaid earlier at Gas Albert Inc.'s option or in the event the county no longer holds any of the Class A common shares.

4. Investment in Corridor Communications Inc.

	<u>2015</u>	<u>2014</u>
657,829 Class B common shares	\$ 424,286	\$ 424,286
675,608 Class G preferred shares	675,608	675,608
Shareholder's loan balance	<u>--</u>	<u>17,038</u>
	<u>\$ 1,099,894</u>	<u>\$ 1,116,932</u>

5. Employee Obligations

	<u>2015</u>	<u>2014</u>
Accrued holiday pay	\$ 296,305	\$ 248,412
Accrued retirement benefits	205,191	172,688
Accrued wages	99,025	50,654
Accrued sick leave	647,484	609,717
Canada savings bonds	<u>3,390</u>	<u>3,025</u>
	<u>\$ 1,251,395</u>	<u>\$ 1,084,496</u>

6. Deferred Revenue

	<u>2015</u>	<u>2014</u>
Federal Gas Tax Fund	\$ 204,513	\$ 137,986
Municipal Sustainability Initiative – Capital	425,647	185,064
Municipal Sustainability Initiative – Operating	14,506	--
Basic Municipal Transportation	--	29,466
Advanced Education	22,700	19,297
Family school liaison program	14,496	--
FCSS	5,844	--
Embridge donation	8,760	--
CCI Wireless	28,438	--
Natural gas sales	<u>49,381</u>	<u>117,082</u>
	<u>\$ 774,285</u>	<u>\$ 488,895</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

6. Deferred Revenue (continued)

Funding from various grant programs, organizations and individuals, in the amount of \$ 774,285 remained unspent at the end of the current year. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements or as indicated by the donors. Most of the projects are scheduled for completion in 2016.

7. 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 Smoky Lake County be disclosed as follows:

	<u>2015</u>	<u>2014</u>
Total debt limit	\$ 24,004,329	\$ 23,771,648
Total debt (including loan guarantee)	<u>(33,333)</u>	<u>(45,000)</u>
Debt limit remaining	\$ <u>23,970,996</u>	\$ <u>23,726,648</u>
Debt servicing limit	\$ 4,000,721	\$ 3,961,941
Debt servicing	<u>---</u>	<u>---</u>
Debt servicing limit remaining	\$ <u>4,000,721</u>	\$ <u>3,961,941</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.

8. Inventory

	<u>2015</u>	<u>2014</u>
Public works	\$ 666,265	\$ 517,264
Gravel (valued at crushing cost)	1,838,153	1,504,119
A.S.B.	<u>31,123</u>	<u>52,534</u>
	2,535,541	2,073,917
Gas utility	<u>34,250</u>	<u>64,510</u>
	\$ <u>2,569,791</u>	\$ <u>2,138,427</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

9. Equity in Tangible Capital Assets	<u>2015</u>	<u>2014</u>
Tangible capital assets (schedule 2)	\$ 73,085,456	\$ 71,146,048
Accumulated amortization (schedule 2)	(33,851,795)	(31,927,071)
	\$ <u>39,233,661</u>	\$ <u>39,218,977</u>

10. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted surplus	\$ <u>4,905,499</u>	\$ <u>5,073,519</u>
Restricted surplus		
Capital		
Building	118,374	93,374
General	2,362,118	2,352,118
Regional landfill	426,475	551,113
Transportation	605,621	605,621
Gravel pit reclamation	377,387	349,785
Gravel pit development	246,054	196,179
Fire	748,847	332,954
Street sweeper	27,533	25,988
Water	--	75,000
Connectivity	10,000	--
Regional waterline	620,471	534,184
Road development	426,079	182,834
Economic development	87,436	45,800
Municipal reserve	<u>36,292</u>	<u>34,748</u>
	6,092,687	5,379,698
Municipal general	3,918,842	2,165,628
Gas	<u>1,283,874</u>	<u>1,198,961</u>
Total restricted	<u>11,295,403</u>	<u>8,744,287</u>
Equity in tangible capital assets (note 9)	<u>39,233,661</u>	<u>39,218,977</u>
	\$ <u>55,434,563</u>	\$ <u>53,036,783</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

11. Segmented Disclosure

The Smoky Lake County 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 Schedule 6 – Segmented Disclosure.

12. Contingent Liabilities

(a) Insurance

The county is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, it could become liable for its proportional 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) Smoky Lake Agricultural Society

The county has guaranteed one-half of a prime rate loan at the Canadian Imperial Bank of Commerce for the Smoky Lake Agricultural Society. As at December 31, 2015 the loan was in good standing and the balance was \$66,666, therefore the county's guarantee would be limited to \$33,333.

(c) Evergreen Regional Waste Management Services Commission

Smoky Lake County is a member of the Evergreen Regional Waste Management Services Commission. Each participating municipality funds a portion of the Commission's deficit based on their proportionate tippage for the year. The expense is accounted for as a current transaction in the year the county is invoiced.

(d) Highway 28/63 Regional Water Services Commission

Smoky Lake County is a member of Highway 28/63 Regional Water Services Commission. Each participating municipality would be responsible for their proportionate share of any unfunded deficit. The expense would be accounted for as a current transaction in the year the county is invoiced.

13. Operating Loan

The county has a prime less ¼% authorized operating line of \$5,000,000 with the Alberta Treasury Branch. No balance was outstanding as at December 31, 2015.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

14. Salary and Benefits Disclosure

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

		2015		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Bobocel	\$ 63,116	\$ 6,226	\$ 32,391
Councillors	Cholak	57,706	12,280	20,313
	Orichowski	55,000	11,901	20,553
	Lukinuk	55,000	12,262	29,667
	Smigerowsky	<u>55,000</u>	<u>11,969</u>	<u>11,001</u>
Total 2015 legislative costs		<u>\$ 285,822</u>	<u>\$ 54,638</u>	<u>\$ 113,925</u>
Chief Administrative Officer	Ollikka	<u>\$ 142,753</u>	<u>\$ 31,287</u>	<u>\$ 13,808</u>
		2014		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Smigerowsky	\$ 56,470	\$ 12,640	\$ 11,914
	Bobocel	51,217	8,588	27,560
Councillors	Cholak	50,341	11,357	15,611
	Orichowski	52,092	11,591	21,749
	Lukinuk	<u>49,903</u>	<u>11,365</u>	<u>31,540</u>
Total 2015 legislative costs		<u>\$ 260,023</u>	<u>\$ 55,541</u>	<u>\$ 108,374</u>
Chief Administrative Officer	Ollikka	<u>\$ 136,884</u>	<u>\$ 29,994</u>	<u>\$ 6,367</u>

- (1) Salary includes regular base pay, gross honoraria, Reeve remuneration and any other direct cash remuneration. These amounts are included in Legislative, Development, ASB, and Natural Gas functional expenses.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, and professional memberships.
- (3) Expenses include travel, mileage, meals, accommodation, registration fees and other expenses.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

15. Local Authorities Pension Plan

Employees of the county 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 224,000 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.

The county 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. Employees of the county 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 county to the LAPP in 2015 were \$315,378 (2014 - \$274,100). Total current service contributions by the employees of the county to the LAPP in 2015 were \$290,861 (2014 - \$252,843).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of \$2,455 billion.

16. Contaminated Sites Liability

On January 1, 2015, the county adopted PS3260 Liability for Contaminated Sites. The standard was applied on a retroactive basis and did not result in any adjustments to the financial liabilities, tangible capital assets or accumulated surplus of the county.

17. Financial Instruments

The county's financial instruments consist of cash, receivables, long-term investments, loans receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the county is not exposed to significant interest or currency risks arising from these financial instruments.

The county 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 county 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 carrying value of the financial instruments approximates fair value.

18. Approval of Financial Statements

Council and Management have approved these financial statements.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

19. Budget Amounts

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

20. Recent Accounting Pronouncements Published But Not Yet Adopted

PSAB Section 3041, Portfolio Investments

This standard is effective for the 2016 fiscal year and addresses the distinction between temporary and portfolio investments.

PSAB Section 3450, Financial Instruments

PS3450 establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments, effective for the 2016 fiscal year.