

Town of Slave Lake

Consolidated Financial Statements

For the Year Ended December 31, 2018

Town of Slave Lake

December 31, 2018

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**Town of Slave Lake
2018 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 Professional 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
April 16, 2019



Director of Finance

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

Allan J. Grykuliak, CPA, CA*
Scott T. Mockford, CPA, CA*
Allen Lee, CPA, CMA*
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INDEPENDENT AUDITORS' REPORT

To the Members of Council of the Town of Slave Lake

Opinion

We have audited the consolidated financial statements of the **Town of Slave Lake**, which comprise the statement of financial position as at December 31, 2018, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the **Town of Slave Lake** as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process

Auditor's Responsibility for the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

INDEPENDENT AUDITORS' REPORT - continued

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in note 9.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in note 19.

The engagement partner on the audit resulting in this independent auditor's report is Allan Grykuliak, CPA, CA

Edmonton, Alberta
April 16, 2019

Doyle & Company
Chartered Professional Accountants

Town of Slave Lake

Consolidated Statement of Financial Position

December 31, 2018

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	5,074,772	4,607,306
Receivables		
Trade and other receivables	4,443,879	4,934,749
Taxes and grants in place of taxes (Note 4)	538,408	467,225
Long term investments (Note 5)	10,077,746	11,135,056
Other long term assets	115,273	115,273
TOTAL FINANCIAL ASSETS	20,250,078	21,259,609
LIABILITIES		
Accounts payable and accrued liabilities	4,278,713	1,965,905
Employee Obligations (Note 25)	240,915	-
Other liabilities (Note 6)	363,771	1,780,702
Deferred revenue (Note 7)	6,303,813	6,066,559
Long-term debt (Note 8)	24,370,079	26,153,053
Capital Lease Obligations (Note 26)	543,971	-
Provision for landfill closure and post-closure costs (Note 10)	154,362	157,879
Other environmental liabilities (Note 11)	314,217	341,101
TOTAL LIABILITIES	36,569,841	36,465,199
NET FINANCIAL DEBT	(16,319,763)	(15,205,590)
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	149,591,443	145,584,471
Inventory for consumption	315,374	267,236
Prepaid assets	-	33,704
	149,906,817	145,885,411
ACCUMULATED SURPLUS (Schedule 1, Note 16)	133,587,054	130,679,821

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, 2018

	Budget \$	2018 \$	2017 \$
REVENUES			
Net municipal taxes (Schedule 3)	8,030,851	8,052,080	7,815,185
User fees and sales of goods	4,938,227	5,074,467	4,674,605
Interest income	191,473	308,263	216,534
Government transfers for operating (Schedule 4)	2,696,883	4,088,835	2,663,122
Development levies	-	27,386	-
Licenses and permits	143,250	115,638	125,244
Fines	381,000	413,143	421,864
Franchise and concession contracts	1,105,888	1,184,909	1,095,731
Rental income	3,174,139	3,235,231	3,222,233
Other revenue (Note 24)	53,820	283,009	198,335
TOTAL REVENUE	20,715,531	22,782,961	20,432,853
EXPENSES			
Legislative	258,551	262,539	254,907
Administration	2,794,401	2,740,784	2,363,202
Fire, police, bylaw enforcement and disaster recovery	3,955,101	4,357,292	4,243,682
Roads, streets, walks and lighting	2,262,424	3,443,731	2,166,821
Water and wastewater	1,611,858	1,548,196	1,548,505
Waste management	624,412	621,267	611,514
Family and community supports	638,735	635,605	714,479
Cemetery	11,500	12,027	10,489
Subdivision, planning, land and development	2,143,717	2,320,737	2,327,209
Parks, recreation and culture	2,857,487	2,887,713	3,053,763
Amortization expense	5,154,969	5,205,985	5,104,654
TOTAL EXPENSES	22,313,155	24,035,876	22,399,225
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	(1,597,624)	(1,252,915)	(1,966,372)
OTHER			
Government Transfers for Capital (Schedule 4)	5,498,155	4,128,229	3,358,586
Legacy	-	-	321,147
Gains (losses) on disposal of assets	-	31,919	12,614
EXCESS OF REVENUE OVER EXPENSES	3,900,531	2,907,233	1,725,975
ACCUMULATED SURPLUS, BEGINNING OF YEAR		130,679,821	128,953,846
ACCUMULATED SURPLUS, END OF YEAR		133,587,054	130,679,821

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, 2018

	Budget	2018	2017
	\$	\$	\$
EXCESS OF REVENUES OVER EXPENSES	3,900,531	2,907,233	1,725,975
Acquisition of tangible capital assets	13,120,851	(9,245,276)	(6,914,754)
Proceeds on disposal of tangible capital assets	-	64,238	12,614
Amortization of tangible capital assets	(5,154,969)	5,205,985	5,104,654
Losses (gains) on disposal of tangible capital assets	-	(31,919)	(12,614)
	7,965,882	(4,006,972)	(1,810,100)
Use (Acquisition) of inventories	-	(48,147)	(22,837)
Use (Acquisition) of prepaid assets	-	33,713	(33,709)
	-	(14,434)	(56,546)
DECREASE (INCREASE) IN NET DEBT	11,866,413	(1,114,173)	(140,671)
NET FINANCIAL DEBT, BEGINNING OF YEAR	-	(15,205,590)	(15,064,919)
NET FINANCIAL DEBT, END OF YEAR	-	(16,319,763)	(15,205,590)

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, 2018

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (shortfall) of revenues over expenses	2,907,232	1,725,974
Non-Cash items included in excess (shortfall) of revenues over expenditures:		
Amortization of tangible assets	5,205,985	5,104,654
Loss (gain) on disposal of tangible capital assets	(31,919)	(12,614)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	(71,183)	199,087
Decrease (increase) in trade and other receivables	490,870	2,834,507
Decrease (increase) in prepaid expenditures	33,704	(33,704)
Decrease (increase) in inventory for consumption	(48,147)	(22,847)
Increase (decrease) in accounts payable and accrued liabilities	2,553,734	(2,226,386)
Increase (decrease) in deferred revenue	237,254	(1,816,113)
Increase (decrease) in environmental liability	(30,401)	-
Increase (decrease) in other liabilities	(1,416,931)	1,052,513
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	9,830,198	6,805,071
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in long-term investments	1,057,310	1,311,095
NET CASH USED BY INVESTING ACTIVITIES	1,057,310	1,311,095
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt issued	543,971	-
Long-term debt repaid	(1,782,974)	(1,705,486)
NET CASH USED BY FINANCING ACTIVITIES	(1,239,003)	(1,705,486)
CAPITAL ACTIVITIES:		
Acquisition of Tangible Capital Assets	(9,245,277)	(6,914,749)
Sale of tangible capital assets	64,238	12,614
NET CASH USED BY CAPITAL ACTIVITIES	(9,181,039)	(6,902,135)
Net cash increase (decrease) in cash and cash equivalents	467,466	(491,455)
Cash and cash equivalents at beginning of year	4,607,306	5,098,761
Cash and cash equivalents at end of period	5,074,772	4,607,306

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, 2018

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2018	2017
	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF YEAR	1,337,503	9,910,900	119,431,418	130,679,821	128,953,846
Excess of revenues over expenses	2,907,233	-	-	2,907,233	1,725,975
Unrestricted funds designated for future use	(2,503,618)	2,503,618	-	-	-
Restricted funds for operations	397,453	(397,453)	-	-	-
Restricted funds used for tangible capital assets	-	(4,597,209)	4,597,209	-	-
Current year funds used for tangible capital assets	(4,128,229)	-	4,128,229	-	-
Disposal of tangible capital assets	56,453	-	(56,453)	-	-
Annual amortization expense	5,205,986	-	(5,205,986)	-	-
Long-term debt repaid	(1,782,974)	-	1,782,974	-	-
Change in accumulated surplus	152,304	(2,491,044)	5,245,973	2,907,233	1,725,975
BALANCE, END OF YEAR	1,489,807	7,419,856	124,677,391	133,587,054	130,679,821

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, 2018

	Land	Land Improvements	Buildings	Construction in Progress	Engineered Structures	Equipment under Capital Lease	Machinery and Equipment	Vehicles	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST:										
Balance, beginning of year	2,804,024	12,368,982	58,220,296	1,639,824	134,656,184	-	4,505,765	4,562,105	218,757,180	212,292,509
Transfers	-	-	-	-	-	-	938,198	(938,198)	-	-
Acquisition of tangible capital assets	-	39,475	166,016	5,162,338	2,659,483	543,971	490,948	183,045	9,246,276	6,914,754
Disposal of tangible capital assets	-	-	-	-	-	-	(59,665)	(109,245)	(168,910)	(450,081)
Balance, end of year	2,804,024	12,408,457	58,386,312	6,802,162	137,315,667	543,971	5,875,246	3,697,707	227,833,546	218,757,182
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	2,927,601	8,971,787	-	56,708,844	-	2,489,358	2,075,121	73,172,711	68,518,139
Annual amortization	-	488,376	1,165,971	-	2,944,927	19,428	336,087	251,197	5,205,986	5,104,653
Accumulated amortization on disposals	-	-	-	-	-	-	(27,347)	(109,245)	(136,592)	(450,081)
Balance, end of year	-	3,415,977	10,137,758	-	59,653,771	19,428	2,798,098	2,217,073	78,242,105	(73,172,711)
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,804,024	8,992,480	48,248,554	6,802,162	77,661,896	524,543	3,077,148	1,480,634	149,591,441	145,584,471
2017 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	2,804,024	9,441,381	49,248,509	1,639,824	77,947,341	-	2,016,408	2,486,984	145,584,471	145,584,471

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, 2018

	Budget \$	2018 \$	2017 \$
TAXATION			
Real property taxes	7,508,211	7,525,800	7,349,210
Education Tax Collection	2,766,409	2,791,415	2,896,052
Seniors Foundation Collection	335,449	335,625	287,900
Linear property taxes	131,525	131,525	127,415
Government grants in place of property taxes	268,875	268,876	258,427
Special assessments and local improvement taxes	-	-	11,199
Penalties and costs	122,656	101,777	101,691
	11,133,125	11,155,018	11,031,894
REQUISITIONS			
Education - Alberta School Foundation Fund and Living Waters Catholic Region Division #42	2,766,409	2,767,073	2,919,448
Lesser Slave Lake Regional Housing Authority	335,449	335,449	297,261
Designated Industrial	416	416	-
	3,102,274	3,102,938	3,216,709
NET MUNICIPAL TAXES	8,030,851	8,052,080	7,815,185

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, 2018

	Budget \$	2018 \$	2017 \$
TRANSFERS FOR OPERATING			
Provincial Government	1,418,150	2,651,313	1,352,252
Federal Government	258,756	255,608	271,256
Local Government	1,019,977	1,181,914	1,039,614
	2,696,883	4,088,835	2,663,122
TRANSFERS FOR CAPITAL			
Provincial Government	5,442,644	4,101,235	3,358,586
Local Government	55,511	26,994	-
	5,498,155	4,128,229	3,358,586
	8,195,038	8,217,064	6,021,708

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, 2018

	Budget \$	2018 \$	2017 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	6,878,567	6,920,204	6,814,724
Contracted and general services	5,476,126	5,811,150	6,074,060
Materials, goods and utilities	2,535,110	2,507,900	2,437,518
Transfers to individuals and organizations	445,658	1,793,853	416,904
Bank charges	5,500	19,351	21,553
Interest on bonds and debentures	1,158,394	1,155,784	1,188,548
Amortization of tangible capital assets	5,154,969	5,205,985	5,104,660
Other operating expenses	658,831	621,649	341,258
	22,313,155	24,035,876	22,399,225

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, 2018

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health and Welfare	Planning & Development	Recreation & Culture	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE									
Taxes net of requisitions	8,052,080	-	-	-	-	-	-	8,052,080	7,815,185
User fees and sales of goods	51,113	292,954	52,838	4,202,779	25,279	90,473	359,031	5,074,467	4,674,605
Interest income	308,263	-	-	-	-	-	-	308,263	216,534
Government transfers for operating	-	1,611,791	1,294,287	-	482,130	50,000	650,627	4,088,835	2,663,122
Government Transfers for Capital	-	79,501	2,186,492	1,821,439	-	13,803	26,994	4,128,229	3,358,586
Development levies	-	-	-	27,386	-	-	-	27,386	-
Rental income	25,868	-	-	-	-	2,970,672	238,691	3,235,231	3,222,233
Licenses and permits	75,652	1,565	-	-	248	38,173	-	115,638	125,244
Fines	-	413,143	-	-	-	-	-	413,143	421,864
Franchise and concession contracts	1,184,909	-	-	-	-	-	-	1,184,909	1,095,731
Gains (losses) on disposal of assets	-	3,976	27,943	-	-	-	-	31,919	-
Other revenue	-	1,959	18,468	-	57,126	200,806	4,650	283,009	532,096
	9,697,885	2,404,889	3,580,028	6,051,604	564,783	3,363,927	1,279,993	26,943,109	24,125,200
EXPENSES									
Salaries, wages and benefits	1,579,727	1,407,042	904,606	616,230	341,595	616,993	1,454,011	6,920,204	6,814,724
Contracted and general services	719,047	2,503,841	445,135	848,941	235,462	581,252	477,472	5,811,150	6,074,060
Materials, goods and utilities	63,549	291,076	686,667	650,938	38,575	213,834	563,261	2,507,900	2,437,518
Transfers to individuals and organizations	-	-	1,394,287	-	32,000	70,998	296,568	1,793,853	416,904
Bank charges	19,351	-	-	-	-	-	-	19,351	21,553
Interest on bonds and debentures	-	10,230	13,036	53,354	-	982,763	96,401	1,155,784	1,188,548
Other operating expenses	621,649	-	-	-	-	-	-	621,649	341,264
	3,003,323	4,212,189	3,443,731	2,169,463	647,632	2,465,840	2,887,713	18,829,891	17,294,571
NET REVENUE BEFORE AMORTIZATION	6,694,562	(1,807,300)	136,297	3,882,141	(82,849)	898,087	(1,607,720)	8,113,218	6,830,629
Amortization of tangible capital assets	721,413	307,755	1,410,153	1,833,011	59,087	-	874,566	5,205,985	5,104,654
NET REVENUE	5,973,149	(2,115,055)	(1,273,856)	2,049,130	(141,936)	898,087	(2,482,286)	2,907,233	1,725,975

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

Town of Slave Lake

For the Year Ended December 31, 2018

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 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 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, 2018

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
Equipment under Capital Lease	14

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, 2018

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, 2018

2. Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash	5,073,372	4,605,906
Cash on hand - domestic currency	1,400	1,400
	5,074,772	4,607,306

3. **Temporary Bank Indebtedness**

The Town has access to Royal Bank of Canada ("RBC") demand loan at Prime plus 0% 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**

	2018	2017
	\$	\$
Current taxes and grants in place of taxes	343,462	324,668
Arrears	204,946	152,557
	548,408	477,225
Less: allowance for doubtful accounts	(10,000)	(10,000)
	538,408	467,225

5. **Long Term Investments**

	2018	2017
	\$	\$
RBC Dominion operating account	28	28
RBC Dominion reserve account	10,077,718	11,135,028
	10,077,746	11,135,056

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 2019 and 2022 and earn interest between 1.6% and 2.75%.

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, 2018

6. Other Liabilities

In 2017 \$1,275,226 was included in other liabilities is related to a Legacy project grant for which the Town is merely acting as the trustee/project administrator. In 2018 \$363,770 (2017 - \$505,476) is related to deposits on account for water utilities and planning and development.

7. Deferred Revenue

Deferred revenue consists of the following:

	2018	2017
	\$	\$
Municipal Sustainability Initiative Grant	969,672	954,615
Federal Gas Tax Fund	823,706	509,004
Basic Municipal Transportation Grant	387,031	379,306
Firesmart	2,064,482	2,617,754
Government Centre Rent	869,140	869,140
Special Tax 5th Ave NW Road Project	497,654	-
Donations	17,175	17,175
Other	674,954	719,565
	6,303,814	6,066,559

Special Tax 5th Ave NW Road Project

Balance, beginning of year	-	-
Revenue	491,510	-
Expenditures	-	-
Interest	6,144	-
Balance, end of year	497,654	-

8. Long Term Debt

Long term debt consists of the following:

	2018	2017
	\$	\$
Tax supported debentures	5,838,895	6,180,107
Special levy and utility supported debentures	1,250,485	1,451,771
Government Centre - supported by provincial lease payments	17,280,699	18,521,176
Total debt	24,370,079	26,153,054

Town of Slave Lake

For the Year Ended December 31, 2018

8. Long Term Debt continued

	2018	2017
	\$	\$
Less:		
Current portion of long term debt	(1,941,737)	(1,782,974)
Long term portion of debt	22,428,342	24,370,080
Less:	-	-

Interest paid on long term debt amounted to \$1,155,784 (2017 - \$1,188,548).

The Town's total cash payments for interest paid on long term debt during the year amounted to \$1,158,394 (2017 - 1,235,882).

	Principal	Interest	Total
	\$	\$	\$
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
2022	1,965,029	815,120	2,780,149
2023	2,055,630	724,520	2,780,150
Thereafter	14,571,366	2,556,203	17,127,569
	24,370,079	7,070,218	31,440,297

Debenture debt is repayable to Alberta Capital Finance Authority. The debt bears interest at rates ranging from 3.37% to 4.80% 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:

	2018	2017
	\$	\$
Total Debt Limit	34,174,442	30,649,280
Long term debt	24,370,079	26,153,053
Capital Lease Obligations	543,971	-
Less debt related to the Government Centre	(17,280,699)	(18,521,176)

Town of Slave Lake

For the Year Ended December 31, 2018

9. Debt Limit continued

	2018	2017
	\$	\$
Total debt	7,633,351	7,631,877
Debt Limit Available	26,541,091	23,017,403
Debt Service Limit	5,695,740	5,108,213
Debt Service	2,941,368	2,941,368
Capital Lease Service	81,596	-
Less debt service related to the Government Centre	(2,114,055)	(2,114,055)
Debt Service for the purpose of this calculation	908,909	827,313
Debt Service Limit Available	4,786,831	4,280,900

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, 2018 is \$154,362 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.

Town of Slave Lake

For the Year Ended December 31, 2018

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 \$26,884 has been recorded in 2018 that brings the remaining total liability to \$314,217 as at December 31, 2018. 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.

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 2018, the Town was required to make current service contributions to the LAPP of 10.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 14.84% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 9.39% of pensionable salary up to the year's maximum pensionable salary, and 13.84% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2018 were \$482,017 (2017 - \$548,575). Total current service contributions by the employees of the Town to the LAPP in 2018 were \$439,713 (2016 - \$504,847).

At December 31, 2017 the LAPP disclosed an actuarial surplus of approximately \$4.8 billion (2017 - (\$637) million deficit).

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 \$1,600,000.

15. Equity in Tangible Capital Assets

	2018	2017
	\$	\$
Tangible Capital Assets	227,833,546	218,757,182
Accumulated amortization	(78,242,105)	(73,172,711)
Long term debt	(24,370,079)	(26,153,053)
Capital Lease Obligations	(543,971)	-
	<hr/>	<hr/>
	124,677,391	119,431,418

Town of Slave Lake

For the Year Ended December 31, 2018

16. Accumulated Surplus

	2018	2017
	\$	\$
Unrestricted surplus(deficit)	1,489,807	1,337,503
Reserves		
Interest Bearing		
Street Light Reserve	231,540	226,382
Road Rehab Reserve (Note 17)	83,823	642,631
Off-Site Levy Reserve	978,517	938,509
Water - Future Capital Expenditures Reserve (Note 18)	2,262,976	4,633,359
Sewer - Off-Sites Reserve	176,443	163,543
Cemetery- Perpetual Care Reserve	70,060	66,018
Intersection Contributions	721,242	705,177
Reserve-2nd Avenue NW Road Contribution	199,578	195,132
Capital Building Reserve	30,482	29,803
Contingency School Lands	118,046	115,416
Reserve - Main Street Extension	216,503	211,680
Reserve - Caribou Collector	260,010	254,219
Non-interest Bearing		
Equipment (formerly Computer) Reserve	-	7,174
Fire - Truck & Rescue Unit Reserve	142,283	101,049
Emergency Road Reserve	60,000	60,000
Vehicle Replacement Reserve	489,705	571,989
Garbage Disposal Reserve	894,552	642,708
Recreation - Parks Reserve	3,325	22,000
Photo Radar Reserve	287,907	127,858
Arena - Capital Equipment Reserve	66,176	69,565
Tax Stabilization Reserve	80,000	80,000
Administration Reserve	46,688	46,688
	7,419,856	9,910,900
Equity in tangible capital assets	124,677,391	119,431,418
Balance, end of year	133,587,054	130,679,821

Town of Slave Lake

For the Year Ended December 31, 2018

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:

	2018	2017
	\$	\$
Balance, beginning of year	642,631	660,769
Revenue	113,675	-
Expenditures	(682,275)	(24,424)
Interest earned	9,791	6,286
Balance, end of year	83,822	642,631

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:

	2018	2017
	\$	\$
Balance, beginning of year	4,633,359	5,007,955
Revenue	1,362,056	1,271,952
Expenditures	(3,800,920)	(1,692,865)
Interest earned	68,481	46,317
Balance, end of year	2,262,976	4,633,359

Town of Slave Lake

For the Year Ended December 31, 2018

19. Salary and Benefits Disclosure

	# of Months	Salary (1) \$	Benefits and Allowances (2) \$	2018 Total \$	2017 Total \$
Mayor Warman	12	48,057	412	48,469	49,399
Councilor King	12	33,656	206	33,862	5,975
Councilor Ferguson	12	27,774	199	27,973	20,237
Councilor Gramlich	12	27,813	197	28,010	5,975
Councilor Busk	12	29,179	206	29,385	25,609
Councilor Missal	-	-	-	-	15,719
Councilor McGregor	12	28,939	206	29,145	27,407
Councilor Brandle	12	27,946	206	28,152	27,633
Councilor Lokken	-	-	-	-	18,664
Councilor Smith	-	-	-	-	485
		223,364	1,632	224,996	197,103
Town Manager	12	175,870	7,500	183,370	175,378
Designated officer (1 position) (2018 - 1 position)	12	118,147	992	119,139	118,539

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, 2018

21. Budgeted Figures

The 2018 budgeted figures that appear in the consolidated financial statements are the budgets approved by Council on April 24th, 2018.

22. Segmented Information

The Town of Slave Lake provides a 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.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

23. Approval of Consolidated Financial Statements

Council and Management have approved these consolidated financial statements.

24. Other Revenue

	2018	2017
	\$	\$
Other	217,057	179,396
Donations	15,050	11,859
Contributions	48,707	7,080
Insurance proceeds	4,176	-
	284,990	198,335

25. Employee Benefit Obligations

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

	2018
	\$
Vacation and overtime	240,915

Town of Slave Lake

For the Year Ended December 31, 2018

26. Capital Lease Obligations

4.45% RBC lease for SCBA equipment repayable at \$7,579.81 monthly including interest due on October 1, 2025

	2018	2017
	\$	\$
Total Capital Lease Obligations	636,704	-
Less: Deferred Finance Charges	(92,733)	-
	543,971	-
Less: Current portion of capital lease	(81,596)	-
	462,375	-