

**SMOKY LAKE COUNTY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2014**

## 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, 2014, 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, 2014, 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 26, 2015

CHARTERED ACCOUNTANTS

**SMOKY LAKE COUNTY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>Financial assets</b>		
Cash	\$ 11,167,014	\$ 11,157,602
Taxes and grants in place receivable (note 2)	220,074	210,188
Receivables from other governments	637,221	401,251
Trade and other receivables	797,565	749,919
Investment in Gas Alberta Inc. (note 4)	67,962	67,962
Investment in Corridor Communications Inc. (note 5)	<u>1,116,932</u>	<u>1,116,932</u>
	<u>14,006,768</u>	<u>13,703,854</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	758,813	912,682
Employee obligations (note 3)	1,084,496	577,197
Deposit liabilities	105,465	100,665
Deferred revenue (note 6)	488,895	1,044,279
Tax sale surplus	44,979	48,866
Long-term debt (note 7)	<u>--</u>	<u>6,083</u>
	<u>2,482,648</u>	<u>2,689,772</u>
<b>Net financial assets</b>	<u>11,524,120</u>	<u>11,014,082</u>
<b>Non-financial assets</b>		
Tangible capital assets (schedule 2)	39,218,977	37,128,365
Inventory (note 9)	2,138,427	1,641,431
Prepaid expenses	<u>155,259</u>	<u>113,245</u>
	<u>41,512,663</u>	<u>38,883,041</u>
<b>Accumulated surplus</b> (note 11)	\$ <u>53,036,783</u>	\$ <u>49,897,123</u>
<b>Contingent liabilities</b> (note 13)		

ON BEHALF OF THE SMOKY LAKE COUNTY

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Reeve

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**SMOKY LAKE COUNTY  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budget</u> (unaudited)	<u>2014</u>	<u>2013</u>
<b>Revenue</b>			
Net municipal taxes (schedule 3)	\$ 9,085,430	\$ 9,100,915	\$ 8,878,269
Sales of goods and services	543,532	830,298	751,707
Government transfers for operating (schedule 4)	1,298,043	1,122,957	1,136,855
Investment income	72,300	116,602	95,320
Penalties and costs of taxes	50,000	44,471	104,114
Licenses and permits	46,500	139,238	139,621
Special levies and taxes	18,154	231,745	145,617
Insurance recoveries	63,630	84,863	63,975
Insurance proceeds	--	32,155	--
Rentals and leases	36,750	50,411	35,445
Natural gas	<u>2,239,790</u>	<u>3,710,460</u>	<u>2,904,411</u>
	<u>13,454,129</u>	<u>15,464,115</u>	<u>14,255,334</u>
<b>Expenses</b>			
Legislative	437,138	409,156	411,915
Administration	2,040,924	1,848,583	1,406,014
Protective services	690,978	746,644	901,668
Transportation	6,354,991	6,307,122	5,851,278
Water and wastewater	348,904	760,715	746,610
Landfill	391,065	399,591	333,387
Further Education	51,480	53,986	55,036
Agriculture services	718,225	628,538	629,444
Municipal planning, community and economic development	695,066	565,398	446,323
Recreation and culture	402,704	415,633	379,915
Natural gas	<u>2,027,778</u>	<u>3,727,945</u>	<u>2,748,775</u>
	<u>14,159,253</u>	<u>15,863,311</u>	<u>13,910,365</u>
<b>Excess (deficiency) of revenues over expenses before other</b>	<b>(705,124)</b>	<b>(399,196)</b>	<b>344,969</b>
<b>Other</b>			
Gain (loss) on disposal of tangible capital assets	152,500	(13,939)	37,063
Government transfers for capital (schedule 4)	2,526,000	3,169,145	3,205,774
Contributed land	--	373,650	--
Transfer from local boards or agencies	<u>--</u>	<u>10,000</u>	<u>--</u>
<b>Excess of revenues over expenses</b>	<b>1,973,376</b>	<b>3,139,660</b>	<b>3,587,806</b>
<b>Accumulated surplus, beginning of year</b>	<b><u>49,897,123</u></b>	<b><u>49,897,123</u></b>	<b><u>46,309,317</u></b>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>51,870,499</u></b>	<b>\$ <u>53,036,783</u></b>	<b>\$ <u>49,897,123</u></b>

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Budget (unaudited)	<u>2014</u>	<u>2013</u>
<b>Excess of revenues over expenses</b>	<b>\$ <u>1,973,376</u></b>	<b>\$ <u>3,139,660</u></b>	<b>\$ <u>3,587,806</u></b>
Acquisition of tangible capital assets	(4,897,353)	(4,286,035)	(4,788,974)
Proceeds on disposal of tangible capital assets	507,579	341,139	648,830
Contributed land	--	(373,650)	--
Amortization of tangible capital assets	1,837,440	2,213,995	2,107,243
(Gain) loss on disposal of tangible capital assets	<u>(152,500)</u>	<u>13,939</u>	<u>(37,063)</u>
	<u>(2,704,834)</u>	<u>(2,090,612)</u>	<u>(2,069,964)</u>
Acquisition of inventory	--	(3,094,014)	(1,945,376)
Use of inventory	--	2,597,018	1,702,969
Acquisition of prepaid assets	--	(155,259)	(113,245)
Use of prepaid assets	<u>--</u>	<u>113,245</u>	<u>110,938</u>
	<u>--</u>	<u>(539,010)</u>	<u>(244,714)</u>
<b>Increase (decrease) in net financial assets</b>	<b>(731,458)</b>	<b>510,038</b>	<b>1,273,128</b>
<b>Net financial assets, beginning of year</b>	<b><u>11,014,082</u></b>	<b><u>11,014,082</u></b>	<b><u>9,740,954</u></b>
<b>Net financial assets, end of year</b>	<b>\$ <u>10,282,624</u></b>	<b>\$ <u>11,524,120</u></b>	<b>\$ <u>11,014,082</u></b>

**SMOKY LAKE COUNTY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess of revenues over expenses	\$ 3,139,660	\$ 3,587,806
Non-cash items included		
Amortization of tangible capital assets	2,213,995	2,107,243
Contributed land	(373,650)	--
(Gain) loss on disposal of tangible capital assets	13,939	(37,063)
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	(9,886)	442,058
Receivables from other governments	(235,970)	71,661
Trade and other receivables	(47,646)	78,094
Inventory	(496,996)	(242,407)
Prepaid expenses	(42,014)	(2,307)
Increase (decrease) in		
Accounts payable and accrued liabilities	(153,869)	(607,538)
Employee obligations	507,299	54,384
Deposit liabilities	4,800	29,700
Deferred revenue	(555,384)	433,925
Tax sale surplus	(3,887)	534
	<u>3,960,391</u>	<u>5,916,090</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(4,286,035)	(4,788,974)
Proceeds on disposal of tangible capital assets	<u>341,139</u>	<u>648,830</u>
	<u>(3,944,896)</u>	<u>(4,140,144)</u>
<b>Financing</b>		
Long-term debt repaid	<u>(6,083)</u>	<u>(5,587)</u>
<b>Change in cash during the year</b>	9,412	1,770,359
<b>Cash, beginning of year</b>	<u>11,157,602</u>	<u>9,387,243</u>
<b>Cash, end of year</b>	<u>\$ 11,167,014</u>	<u>\$ 11,157,602</u>

**SMOKY LAKE COUNTY**  
**SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2014</u>	<u>2013</u>
<b>Balance, beginning of year</b>	\$ <u>5,184,591</u>	\$ <u>7,590,250</u>	\$ <u>37,122,282</u>	\$ <u>49,897,123</u>	\$ <u>46,309,317</u>
Excess of revenues over expenses	3,139,660	--	--	3,139,660	3,587,806
Unrestricted funds designated for future use	(1,154,037)	1,154,037	--	--	--
Contributed land	(373,650)	--	373,650	--	--
Current year funds used for tangible capital assets	(4,286,035)	--	4,286,035	--	--
Disposal of tangible capital assets	355,078	--	(355,078)	--	--
Annual amortization expense	2,213,995	--	(2,213,995)	--	--
Long-term debt repaid	<u>(6,083)</u>	<u>--</u>	<u>6,083</u>	<u>--</u>	<u>--</u>
<b>Change in accumulated surplus</b>	<u>(111,072)</u>	<u>1,154,037</u>	<u>2,096,695</u>	<u>3,139,660</u>	<u>3,587,806</u>
<b>Balance, end of year</b>	\$ <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>

**SMOKY LAKE COUNTY  
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery &amp; Equipment</u>	<u>Vehicles</u>	<u>2014</u>	<u>2013</u>
<b>Cost</b>								
Balance, beginning of year	\$ 4,762,278	\$ 905,507	\$ 4,335,057	\$ 42,906,058	\$ 9,186,907	\$ 5,136,754	\$ 67,232,561	\$ 63,335,431
Acquisition of tangible capital assets	373,650	48,171	273,005	2,343,559	1,312,282	238,299	4,588,966	4,092,787
Construction-in-progress	--	--	--	70,720	--	--	70,720	696,188
Disposal of tangible capital assets	<u>(20,000)</u>	<u>--</u>	<u>(102,720)</u>	<u>--</u>	<u>(545,715)</u>	<u>(77,764)</u>	<u>(746,199)</u>	<u>(891,845)</u>
Balance, end of year	<u>5,115,928</u>	<u>953,678</u>	<u>4,505,342</u>	<u>45,320,337</u>	<u>9,953,474</u>	<u>5,297,289</u>	<u>71,146,048</u>	<u>67,232,561</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	--	639,440	1,068,102	22,425,772	3,561,449	2,409,433	30,104,196	28,277,030
Annual amortization	--	41,288	70,684	1,287,940	537,158	276,925	2,213,995	2,107,243
Accumulated amortization on disposals	<u>--</u>	<u>--</u>	<u>(12,408)</u>	<u>--</u>	<u>(317,511)</u>	<u>(61,201)</u>	<u>(391,120)</u>	<u>(280,077)</u>
Balance, end of year	<u>--</u>	<u>680,728</u>	<u>1,126,378</u>	<u>23,713,712</u>	<u>3,781,096</u>	<u>2,625,157</u>	<u>31,927,071</u>	<u>30,104,196</u>
<b>Net book value of tangible capital assets</b>	<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>	<u>\$ 37,128,365</u>
2013 Net book value of tangible capital assets	<u>\$ 4,762,278</u>	<u>\$ 266,067</u>	<u>\$ 3,266,955</u>	<u>\$ 20,480,286</u>	<u>\$ 5,625,458</u>	<u>\$ 2,727,321</u>	<u>\$ 37,128,365</u>	



**SMOKY LAKE COUNTY**  
**SCHEDULE 3 - PROPERTY TAXES LEVIED**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budget</u> (unaudited)	<u>2014</u>	<u>2013</u>
<b>Levies</b>			
Residential and farmland	\$ 2,769,056	\$ 2,791,995	\$ 2,672,587
Non-residential	734,166	735,486	703,038
Machinery and equipment	1,553,682	1,543,352	1,513,722
Linear property	6,454,082	6,453,582	6,248,548
Grants in place	<u>70,368</u>	<u>70,548</u>	<u>70,305</u>
	<u>11,581,354</u>	<u>11,594,963</u>	<u>11,208,200</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	1,905,429	1,905,429	1,941,937
Smoky Lake Foundation	<u>590,495</u>	<u>588,619</u>	<u>387,994</u>
	<u>2,495,924</u>	<u>2,494,048</u>	<u>2,329,931</u>
<b>Net municipal taxes</b>	\$ <u>9,085,430</u>	\$ <u>9,100,915</u>	\$ <u>8,878,269</u>

**SCHEDULE 4 - GOVERNMENT TRANSFERS**

<b>Transfers for operations</b>			
Federal	\$ --	\$ 2,615	\$ --
Provincial	1,075,866	1,031,527	1,094,977
Other local governments	<u>222,177</u>	<u>88,815</u>	<u>41,878</u>
	1,298,043	1,122,957	1,136,855
<b>Transfers for capital</b>			
Provincial	<u>2,526,000</u>	<u>3,169,145</u>	<u>3,205,774</u>
<b>Total government transfers</b>	\$ <u>3,824,043</u>	\$ <u>4,292,102</u>	\$ <u>4,342,629</u>

**SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT**

<b>Expenses</b>			
Salaries, wages and benefits	\$ 6,301,827	\$ 6,338,927	\$ 5,686,331
Contracted and general services	2,778,807	2,501,201	2,415,024
Purchases from other governments	103,750	134,175	88,293
Materials, goods, supplies and utilities	1,863,459	1,778,046	1,718,195
Provision for allowances and bad debts	--	41,090	(128,056)
Transfers to other governments	--	376,568	392,268
Transfers to individuals and organizations	364,147	189,764	155,451
Bank charges and short-term interest	9,440	2,736	2,525
Interest on long-term debt	6,223	--	926
Tax adjustments	3,000	2,131	4,386
Natural gas purchases	891,160	2,284,678	1,467,779
Amortization of tangible capital assets	<u>1,837,440</u>	<u>2,213,995</u>	<u>2,107,243</u>
<b>Total expenses</b>	\$ <u>14,159,253</u>	\$ <u>15,863,311</u>	\$ <u>13,910,365</u>

**SMOKY LAKE COUNTY  
SCHEDULE 6 – SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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>
<b>Revenue</b>									
Net municipal taxes	\$ 9,100,915	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,100,915
Government transfers	--	38,693	2,480,243	1,130,293	193,359	318,124	76,000	55,390	4,292,102
User fees and sales of goods	73,982	216,039	353,628	178,789	3,053	4,807	--	3,710,460	4,540,758
Investment income	96,598	--	--	--	--	--	--	20,004	116,602
Other revenues	<u>192,837</u>	<u>10,081</u>	<u>259,152</u>	<u>7,660</u>	<u>--</u>	<u>90,433</u>	<u>406,370</u>	<u>--</u>	<u>966,533</u>
	<u>9,464,332</u>	<u>264,813</u>	<u>3,093,023</u>	<u>1,316,742</u>	<u>196,412</u>	<u>413,364</u>	<u>482,370</u>	<u>3,785,854</u>	<u>19,016,910</u>
<b>Expenses</b>									
Salaries and wages	1,106,612	278,960	2,790,979	326,904	409,288	286,106	195,849	944,229	6,338,927
Contract and general services	515,949	215,569	1,055,296	232,534	85,510	168,928	23,831	203,584	2,501,201
Goods and supplies	237,284	121,519	1,038,864	108,331	103,710	116,415	65,521	2,405,255	4,196,899
Transfers to others	66,855	--	--	376,568	--	47,935	74,974	--	566,332
Loss on disposal of assets	2,111	1,342	2,116	--	--	--	--	8,370	13,939
Other expenses	<u>44,518</u>	<u>--</u>	<u>--</u>	<u>1,431</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8</u>	<u>45,957</u>
	<u>1,973,329</u>	<u>617,390</u>	<u>4,887,255</u>	<u>1,045,768</u>	<u>598,508</u>	<u>619,384</u>	<u>360,175</u>	<u>3,561,446</u>	<u>13,663,255</u>
<b>Net revenue before amortization</b>	7,491,003	(352,577)	(1,794,232)	270,974	(402,096)	(206,020)	122,195	224,408	5,353,655
Amortization expense	<u>(286,523)</u>	<u>(130,596)</u>	<u>(1,421,981)</u>	<u>(114,538)</u>	<u>(30,030)</u>	<u>--</u>	<u>(55,458)</u>	<u>(174,869)</u>	<u>(2,213,995)</u>
<b>Net revenue</b>	<u>\$ 7,204,480</u>	<u>\$ (483,173)</u>	<u>\$ (3,216,213)</u>	<u>\$ 156,436</u>	<u>\$ (432,126)</u>	<u>\$ (206,020)</u>	<u>\$ 66,737</u>	<u>\$ 49,539</u>	<u>\$ 3,139,660</u>

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**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, 2014**

**1. 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, 2014**

**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.

**2. Taxes and Grants in Place Receivable**

	<u>2014</u>	<u>2013</u>
Current	\$ 171,086	\$ 134,428
Arrears	121,462	107,143
Less allowance for doubtful accounts	<u>(72,474)</u>	<u>(31,383)</u>
	<u>\$ 220,074</u>	<u>\$ 210,188</u>

**3. Employee Obligations**

	<u>2014</u>	<u>2013</u>
Accrued holiday pay	\$ 248,412	\$ 189,541
Accrued retirement benefits	172,688	151,760
Accrued wages	50,654	75,969
Accrued sick leave	609,717	157,577
Canada savings bonds	<u>3,025</u>	<u>2,350</u>
	<u>\$ 1,084,496</u>	<u>\$ 577,197</u>

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**4. 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 has entered into a five-year gas supply contract, which renews automatically each year, to purchase natural gas exclusively from Gas Alberta Inc.

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

	<u>2014</u>	<u>2013</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.

**5. Investment in Corridor Communications Inc.**

	<u>2014</u>	<u>2013</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>17,038</u>	<u>17,038</u>
	<u>\$ 1,116,932</u>	<u>\$ 1,116,932</u>

**6. Deferred Revenue**

	<u>2014</u>	<u>2013</u>
New Deal for Cities and Communities	\$ 137,986	\$ 394,598
Municipal Sustainability Initiative – Capital	185,064	349,967
Municipal Sustainability Initiative – Operating	--	4,500
Basic Municipal Transportation	29,466	29,466
Advanced Education	19,297	18,506
Family school liaison program	--	20,250
Regional collaboration	--	128,644
Natural gas sales	<u>117,082</u>	<u>98,348</u>
	<u>\$ 488,895</u>	<u>\$ 1,044,279</u>

Funding from various grant programs, organizations and individuals, in the amount of \$488,895 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 2015.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>7. Long-Term Debt</b>	<u>2014</u>	<u>2013</u>
Debenture – tax supported (Warspite)	\$ <u>---</u>	\$ <u>6,083</u>

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

Interest on long-term debt amounted to \$0 (2013 - \$926).

The county's cash payment for interest paid on long-term debt was \$504 (2013 - \$1,036).

**8. 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>2014</u>	<u>2013</u>
Total debt limit	\$ 23,771,648	\$ 21,438,596
Total debt (including loan guarantee)	<u>(45,000)</u>	<u>(62,750)</u>
Debt limit remaining	\$ <u>23,726,648</u>	\$ <u>21,375,846</u>
Debt servicing limit	\$ 3,961,941	\$ 3,573,099
Debt servicing	<u>---</u>	<u>(6,623)</u>
Debt servicing limit remaining	\$ <u>3,961,941</u>	\$ <u>3,566,476</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.

<b>9. Inventory</b>	<u>2014</u>	<u>2013</u>
Public works	\$ 517,264	\$ 418,956
Gravel (valued at crushing cost)	1,504,119	1,096,987
A.S.B.	<u>52,534</u>	<u>55,649</u>
	2,073,917	1,571,592
Gas utility	<u>64,510</u>	<u>69,839</u>
	\$ <u>2,138,427</u>	\$ <u>1,641,431</u>

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>10. Equity in Tangible Capital Assets</b>	<u>2014</u>	<u>2013</u>
Tangible capital assets (schedule 2)	\$ 71,146,048	\$ 67,232,561
Accumulated amortization (schedule 2)	(31,927,071)	(30,104,196)
Long-term debt (note 7)	<u>          --</u>	<u>      (6,083)</u>
	<u>\$ 39,218,977</u>	<u>\$ 37,122,282</u>

**11. Accumulated Surplus**

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

	<u>2014</u>	<u>2013</u>
Unrestricted surplus	\$ <u>5,073,519</u>	\$ <u>5,184,591</u>
Restricted surplus		
Capital		
Building	93,374	93,374
General	2,352,118	2,392,118
Regional landfill	551,113	531,113
Transportation	605,621	400,000
Gravel pit reclamation	349,785	322,995
Gravel pit development	196,179	150,147
Fire	332,954	291,954
Street sweeper	25,988	23,496
Water	75,000	50,000
Regional waterline	534,184	987,359
Road development	182,834	48,338
Economic development	45,800	--
Municipal reserve	<u>34,748</u>	<u>29,941</u>
	5,379,698	5,320,835
Municipal general	2,165,628	1,205,481
Gas	<u>1,198,961</u>	<u>1,063,934</u>
Total restricted	<u>8,744,287</u>	<u>7,590,250</u>
Equity in tangible capital assets (note 10)	<u>39,218,977</u>	<u>37,122,282</u>
	<u>\$ 53,036,783</u>	<u>\$ 49,897,123</u>



**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**12. 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.

**13. 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, 2014 the loan was in good standing and the balance was \$90,000, therefore the county's guarantee would be limited to \$45,000.

(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.

**14. 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, 2014.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

**15. 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:

		<b>2014</b>		
		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 2014 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>

		<b>2013</b>		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Smigerowsky	\$ 9,442	\$ 2,176	\$ 3,579
	Cholak	55,362	11,947	22,374
Councillors	Bobocel	50,856	8,491	27,823
	Danyluk	40,771	9,235	13,856
	Orichowski	49,354	11,140	22,208
	Cherniwchan	40,985	9,272	17,351
	Lukinuk	<u>8,154</u>	<u>1,982</u>	<u>5,457</u>
Total 2014 legislative costs		\$ <u>254,924</u>	\$ <u>54,243</u>	\$ <u>112,648</u>
Chief Administrative Officer	Ollikka	\$ <u>132,671</u>	\$ <u>27,553</u>	\$ <u>12,784</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, 2014**

**16. 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 2014 were \$274,100 (2013 - \$248,680). Total current service contributions by the employees of the county to the LAPP in 2014 were \$252,843 (2013 - \$227,566).

At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.862 billion.

**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.