Financial Statements of

Municipal District of Lesser Slave River No. 124

December 31, 2015

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Lesser Slave River

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

MANAGEMENT'S REPORT
DECEMBER 31, 2015

The accompanying Financial Statements and other information contained in this financial report are the responsibility of the management of the Municipal District of Lesser Slave River No. 124.

These 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 Municipal District of Lesser Slave River No. 124 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 Municipal District of Lesser Slave River No. 124's assets are properly accounted for and adequately safeguarded.

The elected Council of the Municipal District of Lesser Slave River No. 124 are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Councilors meet annually with management and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy themselves that each party is properly discharging its responsibilities. Councilors consider the engagement or reappointment of the external auditors and also review monthly financial reports.

These Financial Statements have been audited by Hawkings Epp Dumont, LLP, Chartered Accountants in accordance with Canadian generally accepted auditing standards on behalf of Council, residents and ratepayers of the Municipal District of Lesser Slave River No. 124. Hawkings Epp Dumont LLP has full and free access to Council.

Jason Warawa, CPA, CMA	Allan Winarski, CPA, CGA
Director of Finance	Chief Administrative Officer

April 13, 2016

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HAWKINGS EPP DUMONT LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the Municipal District of Lesser Slave River No. 124

We have audited the accompanying financial statements of the Municipal District of Lesser Slave River No. 124, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and accumulated surplus, 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Municipal District of Lesser Slave River No. 124 as at December 31, 2015 and the results of its operations, the changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Hawkings Epp Dumont LLP

Edmonton, Alberta
April 13, 2016

Hawkings Epp Dumont LLP
Chartered Accountants

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MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Financial Position
December 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash (*Note 2)*	$ 13,753,547	$ 27,972,829
Receivables		
Taxes and grants in lieu of taxes (*Note 3)*	354,143	266,699
Trade and other receivables (*Note 4)*	1,779,274	2,108,994
Other long-term receivables	1,525,177	1,743,966
Investments (*Note 5)*	20,444,806	10,211,406
	37,856,947	42,303,894
LIABILITIES		
Accounts payable and accrued liabilities	4,232,177	5,233,527
Deposit liabilities	476,135	297,827
Deferred revenue (*Note 7)*	12,542,582	14,403,049
Employee benefit obligations (*Note 8)*	189,768	203,389
Reclamation liabilities(*Note 9)*	73,400	73,400
Long-term debt (*Note 11)*	3,424,133	3,712,297
	20,938,195	23,923,489
NET FINANCIAL ASSETS	**16,918,752**	**18,380,405**
NON-FINANCIAL ASSETS		
Tangible capital assets *(Schedule 1)*	101,685,268	98,065,599
Inventory for consumption *(Note 10)*	1,490,257	1,628,882
Prepaid expense	216,167	184,580
	103,391,692	99,879,061
ACCUMULATED SURPLUS *(Note 13)*	**$ 120,310,444**	**$ 118,259,466**

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

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Operations & Accumulated Surplus
December 31, 2015

	2015 Budget *(Note 21)*	**2015 Actual**	**2014 Actual**
REVENUE			
Net municipal property taxes *(Schedule 3)*	$ 14,490,829	$ 14,503,205	$ 13,646,388
User fees and sales of goods	1,403,740	1,599,396	1,486,318
Government transfers *(Schedule 4)*	1,380,617	1,273,926	1,048,461
Investment income	501,113	518,423	543,757
Penalties and costs of taxes	69,123	76,946	70,149
Licenses and permits	45,000	24,966	33,414
Other	40,226	366,193	234,554
Total revenue	**17,930,648**	**18,363,055**	**17,063,041**
EXPENSES			
Legislative	308,578	292,804	270,332
Administration	2,420,567	2,229,304	2,298,194
Protective Services	2,261,170	1,597,176	2,768,953
Roads, streets, walks, lighting	8,107,798	8,166,512	7,093,208
Common services	1,637,981	1,192,395	1,399,252
Water supply and distribution	2,088,614	1,830,335	1,775,136
Wastewater treatment and disposal	1,648,796	1,378,894	1,380,717
Waste management	347,305	298,441	287,223
Family and community support	91,830	85,395	70,421
Agriculture, planning and development	846,250	834,543	745,108
Parks, recreation ,culture	979,495	665,140	468,573
Inter-municipal Cost Sharing *(Note 18)*	450,000	599,489	409,145
Total expenses	**21,188,384**	**19,170,428**	**18,966,262**
ANNUAL SURPLUS (DEFICIENCY) BEFORE OTHER REVENUE	(3,257,736)	(807,373)	(1,903,221)
OTHER REVENUE			
Government transfers for capital *(Schedule 4)*	20,120,799	2,811,138	13,863,229
Gain (loss) on disposal of tangible capital assets	-	47,213	51,600
	20,120,799	**2,858,351**	**13,914,829**
ANNUAL SURPLUS	**16,863,063**	**2,050,978**	**12,011,608**
ACCUMULATED SURPLUS, BEGINNING OF YEAR	118,259,466	118,259,466	106,247,858
ACCUMULATED SURPLUS, END OF YEAR *(Note 13)*	**$ 135,122,529**	**$ 120,310,444**	**$ 118,259,466**

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

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Change in Net Financial Assets
December 31, 2015

	2015 Budget *(Note 21)*	2015 Actual	2014 Actual
ANNUAL SURPLUS	$ 16,863,063	**$ 2,050,978**	**$ 12,011,608**
Acquisition of tangible capital assets	(30,646,619)	(10,209,110)	(16,137,465)
Proceeds on disposal of tangible capital assets	36,800	58,700	51,600
Amortization of tangible capital assets	-	6,577,952	6,393,875
(Gain) loss on disposal of tangible capital assets	-	(47,213)	(51,600)
	(23,975,152)	**(1,568,691)**	**(9,743,590)**
Change in inventory for consumption	(129,342)	138,625	(679,538)
Change in prepaid expenses	-	(31,587)	20,484
	(129,342)	**107,038**	**(659,054)**
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(7,241,432)	(1,461,653)	1,608,964
NET FINANCIAL ASSETS, BEGINNING OF YEAR	18,380,405	18,380,405	16,771,441
NET FINANCIAL ASSETS, END OF YEAR	**$ 11,138,970**	**$ 16,918,752**	**$ 18,380,405**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Cash Flow
December 31, 2015

	2015 Actual	**2014 Actual**
Operating Activities		
Annual surplus	$ 2,050,978	$ 12,011,608
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,577,952	6,393,875
(Gain) loss on disposal of tangible capital assets	(47,213)	(51,600)
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place	(87,444)	54,725
Decrease (increase) in trade and other receivables	329,720	866,869
Decrease (increase) in long-term receivables	218,789	179,137
Decrease (increase) in prepaid expenses	(31,587)	20,484
Decrease (increase) in inventory for consumption	138,625	(679,538)
Increase (decrease) in accounts payable and accrued liabilities	(1,001,350)	1,778,099
Increase (decrease) in deposit liabilities	178,308	924,277
Increase (decrease) in deferred revenue	(1,860,467)	8,880,231
Increase (decrease) in employee benefit obligations	(13,621)	(62,983)
Increase (decrease) in closure and post-closure costs	-	(179,880)
Cash provided by operating transactions	**6,452,690**	**30,135,302**
Capital Activities		
Purchase of tangible capital assets	(10,209,110)	(16,137,465)
Proceeds on disposal of tangible capital assets	58,700	51,600
Cash applied to capital transactions	**(10,150,409)**	**(7,411,844)**
Financing Activities		
Long-term debt repaid	(288,164)	(275,910)
Cash provided by (applied to) financing transactions	**(288,164)**	**(275,910)**
Investing Activities		
Purchase of Investments	(10,233,400)	(10,032,650)
Cash provided by (applied to) investing transactions	**(10,233,400)**	**(10,032,650)**
CHANGE IN CASH DURING THE YEAR	(14,219,282)	3,740,877
CASH AT BEGINNING OF YEAR	27,972,829	24,231,952
CASH AT END OF YEAR	**$ 13,753,547**	**$ 27,972,829**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Tangible Capital Assets
December 31, 2015

"Schedule 1"

	Land	Engineered Structures	Buildings & Facilities	Machinery & Equipment	Vehicles	Work In Progress	2015	2014
COST								
BALANCE, BEGINNING OF YEAR	$ 2,733,201	$ 129,645,554	$ 30,041,993	$ 8,402,989	$ 1,277,331	$ 12,752,054	**$ 184,853,123**	$ 168,895,027
Acquisition of tangible capital assets	-	217,217	2,532,913	984,294	125,700	6,348,986	**10,209,110**	16,137,465
Transfer in (out) of WIP	-	7,325,074	1,439,344	107,173	-	(8,871,591)	**-**	-
Disposals	-	-	-	(137,838)	-	(11,488)	**(149,326)**	(179,369)
BALANCE, END OF YEAR	2,733,201	137,187,845	34,014,250	9,356,618	1,403,031	10,217,960	**194,912,906**	184,853,123
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	69,635,943	11,440,670	4,858,523	852,388	-	**86,787,524**	80,573,018
Annual amortization	-	4,447,147	1,024,128	937,026	169,651	-	**6,577,952**	6,393,875
Disposals	-	-	-	(137,838)	-	-	**(137,838)**	(179,369)
BALANCE, END OF YEAR	-	74,083,090	12,464,798	5,657,711	1,022,039	-	**93,227,638**	86,787,524
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,733,201	$ 63,104,755	$ 21,549,452	$ 3,698,907	$ 380,992	$ 10,217,960	**$ 101,685,268**	$ 98,065,599
2014 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,733,201	$ 60,009,612	$ 18,601,323	$ 3,544,466	$ 424,943	$ 12,752,054		$ 98,065,599

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

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Segmented Disclosure
December 31, 2015

"Schedule 2"

2015	**General Government**	**Protective Services**	**Transportation Services**	**Environmental Services**	**Planning & Development**	**Recreation & Culture**	**Total**
REVENUE							
Net municipal taxes	$ 14,503,205	$ -	$ -	$ -	$ -	$ -	**$ 14,503,205**
Government transfers	195,375	1,417,004	1,665,192	494,217	279,770	33,506	**4,085,064**
User fees and sales of goods	19,757	-	394,165	1,082,910	79,534	23,030	**1,599,396**
Investment income	518,423	-	-	-	-	-	**518,423**
Other revenues	335,618	14,350	48,620	3,307	17,922	95,500	**515,317**
	15,572,379	1,431,354	2,107,977	1,580,434	377,226	152,036	**21,221,406**
EXPENSES							
Contracted and general services	890,853	358,882	1,423,530	643,980	249,941	85,151	**3,652,337**
Salaries, wages and benefits	1,418,298	281,775	2,012,182	1,013,019	396,491	102,149	**5,223,914**
Goods and supplies	93,570	67,254	1,036,150	534,347	88,894	52,120	**1,872,335**
Transfers to other governments and boards	384,748	619,569	105,000	25,039	393,868	157,696	**1,685,920**
Long-term debt interest	-	-	-	161,123	-	-	**161,123**
Other expenses	(2,896)	-	-	(257)	-	-	**(3,153)**
	2,784,573	1,327,480	4,576,862	2,377,251	1,129,194	397,116	**12,592,476**
NET REVENUE (DEFICIT), BEFORE AMORTIZATION	12,787,806	103,874	(2,468,885)	(796,817)	(751,968)	(245,080)	**8,628,930**
Amortization	119,532	269,696	4,782,046	1,138,654	-	268,024	**6,577,952**
ANNUAL SURPLUS	**$ 12,668,274**	**$ 165,822**	**$ (7,250,931)**	**$ (1,935,471)**	**$ (751,968)**	**$ (513,103)**	**$ 2,050,978**

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

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Segmented Disclosure
December 31, 2014

“Schedule 2 continued”

2014	**General Government**	**Protective Services**	**Transportation Services**	**Environmental Services**	**Planning & Development**	**Recreation & Culture**	**Total**
REVENUE							
Net municipal taxes	$ 13,646,388	$ -	$ -	$ -	$ -	$ -	**$ 13,646,388**
Government transfers	156,929	733,523	$ 2,263,062	10,270,557	275,880	1,211,739	**14,911,690**
User fees and sales of goods	20,601	-	226,916	1,098,935	79,681	60,185	**1,486,318**
Investment income	543,757	-	-	-	-	-	**543,757**
Other revenues	111,570	129,867	51,600	39,350	22,331	35,000	**389,718**
	14,479,245	863,390	2,541,578	11,408,842	377,892	1,306,924	**30,977,870**
EXPENSES							
Contracted and general services	956,182	546,350	459,928	649,623	311,171	63,024	**2,986,277**
Salaries, wages and benefits	1,326,278	284,469	2,023,098	994,423	308,819	113,594	**5,050,681**
Goods and supplies	137,986	135,088	1,021,285	481,012	45,026	54,804	**1,875,201**
Transfers to other governments and boards	412,715	1,548,213	192,879	27,020	145,339	134,746	**2,460,911**
Long-term debt interest	-	-	-	171,215	-	-	**171,215**
Other expenses	27,259	-	-	842	-	-	**28,102**
	2,860,422	2,514,120	3,697,190	2,324,135	810,355	366,168	**12,572,387**
NET REVENUE (DEFICIT), BEFORE AMORTIZATION	11,618,823	(1,650,730)	(1,155,612)	9,084,707	(432,462)	940,757	**18,405,483**
Amortization	117,633	254,834	4,795,270	1,123,732	-	102,406	**6,393,875**
ANNUAL SURPLUS	**$ 11,501,190**	**$ (1,905,564)**	**$ (5,950,882)**	**$ 7,960,975**	**$ (432,463)**	**$ 838,351**	**$ 12,011,608**

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

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Property Taxes and Other Taxes
December 31, 2015 "Schedule 3"

	2015 Budget *(Note 21)*	2015 Actual	2014 Actual
TAXATION			
Real property taxes	$ 12,186,867	$ 12,172,312	$ 11,611,984
Linear property taxes	7,054,103	7,054,103	6,664,043
Government grants in place of property taxes	-	26,894	26,894
	19,240,970	**19,253,309**	**18,302,921**
REQUISITIONS			
Alberta School Foundation Fund	4,161,529	4,161,529	4,051,611
Seniors Lodges	588,612	588,575	604,922
	4,750,141	**4,750,105**	**4,656,533**
NET MUNICIPAL TAXES	**$ 14,490,829**	**$ 14,503,205**	**$ 13,646,388**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Government Transfers
December 31, 2015

"Schedule 4"

	2015 Budget *(Note 21)*	**2015 Actual**	**2014 Actual**
TRANSFERS FOR OPERATING			
Provincial government	$ 1,350,387	$ 1,055,695	$ 1,024,364
Local governments	30,230	218,231	24,097
	1,380,617	**1,273,926**	**1,048,461**
TRANSFERS FOR CAPITAL			
Provincial government	**20,120,799**	**2,811,138**	**13,863,229**
TOTAL GOVERNMENT TRANSFERS	**$ 21,501,416**	**$ 4,085,064**	**$ 14,911,689**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Expenses by Object
December 31, 2015 “Schedule 5”

	2015 Budget *(Note 21)*	2015 Actual	2014 Actual
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 5,657,067	$ 5,223,914	$ 5,050,681
Contracted and general services	4,765,503	3,652,337	2,986,277
Materials, goods and utilities	2,406,353	1,872,335	1,875,201
Provision for allowances	-	(4,516)	26,907
Transfers to local boards and agencies	1,559,765	1,685,920	2,460,911
Bank charges and short term interest	1,400	1,363	1,195
Interest on long-term debt	163,630	161,123	171,215
Amortization	6,634,667	6,577,952	6,393,875
	$ 21,188,384	**$ 19,170,428**	**$ 18,966,262**

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal District of Lesser Slave River #124, hereinafter the 'Municipal District', are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Municipal District are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, change in net financial assets and cash flows of the reporting entity. This entity is comprised of all of the organizations that are owned or controlled by the Municipality and are therefore accountable to the Council for the administration of their financial affairs and resources.

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

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 measureable. Expenses are recognized as they are incurred and measureable 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) 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 expenditure 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.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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) 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 for the year.

1. SIGNIFICANT ACCOUNTING POLICIES (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 an asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Land improvements	10-25
Buildings and facilities	25-50
Engineered structures	
Roadway systems	10-65
Water systems	5-75
Wastewater systems	5-75
Machinery and equipment	5-25
Vehicles	5-10
Networking and communication systems	5-10

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.

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 operating leases and the related lease payments are charged to expenses as incurred.

iv) Inventories of consumption

Inventories held for consumption are recorded at the lower of cost or replacement cost, with cost determined using the FIFO method.

g) 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.

h) Tax Revenue

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

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the Municipal District 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.

2. CASH

	2015	2014
Cash	**$ 13,753,547**	$ 27,972,829

Included in cash is a restricted amount of $12,542,582 (2014 - $14,403,049) received from various Alberta government grant programs and are held exclusively for qualifying or specific projects *(Note 7).*

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2015	2014
Current taxes and grants in place of taxes	**$ 266,304**	$ 175,112
Arrears taxes	**125,456**	137,515
	391,760	312,627
Less: allowance for doubtful accounts	**(37,617)**	(45,929)
	$ 354,143	$ 266,699

4. TRADE AND OTHER RECEIVABLES

	2015	2014
Trade and Accrued Receivables	**$ 472,916**	$ 622,601
Goods and Services Tax	**224,009**	216,864
Government Transfers	**997,094**	1,193,329
Utilities	**102,971**	94,230
	1,796,990	2,127,024
Less: allowance for doubtful accounts	**(17,716)**	(18,030)
	$ 1,779,274	$ 2,108,994

5. INVESTMENTS

	2015		2014	
	Cost	**Market Value**	Cost	Market Value
Alberta Capital Finance Authority Shares	**$ 50**	**$ 50**	**$ 50**	**$ 50**
Alberta Treasury Branch - GICs	**20,245,161**	**20,245,161**	**10,022,656**	**10,022,656**
AAMDC Shares/Dividends	**-**	**-**	**1,105**	**1,105**
Province of Ontario Coupon Bonds	**199,491**	**239,912**	**187,491**	**229,571**
RBC Dominion Securities Cash Balance	**104**	**104**	**104**	**104**
	$ 20,444,806	**$ 20,485,227**	$ 10,211,406	$ 10,253,486

Alberta Treasury Branch held Guaranteed Investment Certificates or Term Deposits at interest rates ranging from 1.22% – 2.2% and mature in periods 2016 thru 2018.

Coupon Bonds bear interest at 6.40% and mature in periods 2019 through 2020.

6. CREDIT FACILITIES

The Municipal District has a non-revolving demand facility for $10,000 by way of a Letter of Guarantee in favour of the Provincial Treasurer in relation to Environmental Protection.

The Municipal District has access to a revolving line of credit with a limit of $1,000,000, bearing interest at prime plus 0.25% in order to finance general operating requirements.

The Municipal District has access to a revolving line of credit with a limit of $1,000,000, bearing interest at prime plus 0.25% in order to finance the acquisition of capital assets.

At December 31, 2015, the combined balance owing on credit facilities was $NIL (2014-$NIL)

7. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from third parties for a specific purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	2014	Additions	Repayments	Revenue Recognized	**2015**
AB Transportation - NE Slave Lake Bypass	$ 748,738	$ -	$ (748,738)	$ -	**$ -**
Municipal MPB Grant Program	92,984	493	-	-	**93,477**
Donations - Widewater Playground	41,247	-	-	-	**41,247**
Tri-Council Regional Recovery Grants	12,666,692	552,714	-	(1,990,596)	**11,228,810**
U of A ATV Training Grant	7,650	-	-	(683)	**6,967**
2013 Mun. Sustainability Initiative - Capital	8,512	-	-	(8,512)	**-**
2014 Mun. Sustainability Initiative - Capital	837,226	-	-	(837,226)	**-**
2015 Mun. Sustainability Initiative - Capital	-	1,576,431	-	(404,350)	**1,172,081**
	$ 14,403,049	$ 2,129,638	$ (748,738)	$ (3,241,367)	**$ 12,542,582**

Prepaid Provincial Grants

Funding in the amount of $750,000 was received in 2007 from the Alberta Transportation Rural Road Grant Programs for the Northeast Slave Lake Bypass Phase 1 Project. The use of these funds is restricted to eligible capital transportation projects, as approved under the funding agreement. Costs expended to date are $89,803 and interest earned to date is $108,463. The project was cancelled in 2015, and the amount reclassified as a payable with $768,660 being owed to Alberta Transportation.

Funding in the amount of $95,992 was received from Alberta Sustainable Resource Development for the mountain pine beetle community grant. The program provides funding to survey and treat beetle-infested trees in private and municipal lands to control the spread of mountain pine beetle infestations. Since 2010 there was $4,110 expended on the project and $1,595 earned in interest.

Funding in the amount of $1,570,252 was received in 2015 from the Alberta Government Municipal Sustainability Initiative Capital Grant Program for municipalities to manage growth pressures and provide sustainable funding. $404,350 of this funding was allocated to local road construction projects and interest earned to date on the balance is $6,179.

Funding in the amount of $30,313,398 was received from Alberta Municipal Affairs between 2012-2015 by way of allocation from the regional Tri-Council recovery group consisting of the Municipal District, the Town of Slave Lake and Sawridge First Nations. The funding is for a variety of initiatives related to community betterment and infrastructure improvements. In 2011-2014, there was $17,324,383 expended and another $1,990,596 spent in 2015.

8. EMPLOYEE BENEFIT OBLIGATIONS

	2015	2014
Vacation and overtime	**$ 189,768**	$ 203,389

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 (and are vested) or are entitled to these benefits within the next budgetary year.

9. RECLAMATION LIABILITIES

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

	2015	2014
Estimated post-closure costs	**$ 73,400**	$ 73,400

Landfill Post-Closure Liability

The accrued liability recorded at December 31, 2015, is $73,400 and represents the present value of closure costs for the current sites. The five modified sanitary landfills; Wagner, Smith, Chisholm, Fawcett Lake and Lawrence Lake are closed and post closure applications are currently being filed with Alberta Environment.

Landfill Post-Closure Cost Estimate

Landfill	
Wagner	$ 3,899
Smith	5,375
Fawcett Lake	4,242
Lawrence Lake	5,740
Chisholm	11,240
Subtotal	**30,496**
Contingency and Engineering	42,904
Total	**$ 73,400**

10. INVENTORY FOR CONSUMPTION

	2015	2014
Gravel	**$ 663,169**	$ 720,880
Transportation Materials	**427,228**	423,952
ASB Chemicals	**13,862**	50,710
Sewer Supplies and Materials	**385,998**	433,340
	$ 1,490,257	$ 1,628,882

11. LONG-TERM DEBT

	2015	2014
Tax Supported Debentures - Capital *(Note 13)*	**$ 873,581**	$ 948,114
Self Supported Debentures - Operating	**2,449,408**	2,598,068
Obligation Under Capital Lease	**101,144**	166,116
	$ 3,424,133	$ 3,712,297

The current portion of the long-term debt amounts to $300,984 (2014 - $288,164)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2016	$ 300,984	$ 154,864	$ 455,849
2017	279,672	141,664	421,336
2018	257,415	129,409	386,824
2019	269,963	116,860	386,823
2020	283,130	103,694	386,824
Thereafter	2,032,969	1,525,562	3,558,531
	$ 3,424,133	$ 2,172,053	$ 5,596,187

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest rates ranging from 3.8488% to 5.175% per annum, and matures in 2024 through to 2030. The average annual interest rate is 4.647%. Debenture debt is issued on the credit and security of the Municipal District at large.

The Lease for capital equipment is payable to the Royal Bank of Canada and has an implicit interest rate of 2.97%. The lease term will mature on July 10, 2017. The lease is secured by way of PPSA on the capital equipment. The Municipal District has entered into a capital lease agreement for this equipment with one of its entities and has recorded a long term receivable equal to the obligation under capital lease.

Interest on long-term debt including the lease obligation amounted to $167,685 (2014 - $179,938).

The Municipal District’s total cash payments for interest in 2015 were $163,631 (2014 - $173,986).

12. 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 Municipal District be disclosed as follows:

	2015	2014
Total debt limit	**$ 27,544,583**	$ 25,671,962
Total debt *(Note 11)*	**3,424,133**	3,712,197
Amount of debt limit unused	**$ 24,120,450**	$ 21,959,765
Debt servicing limit	**$ 4,590,764**	$ 4,278,660
Debt servicing *(Note 11)*	**455,849**	455,849
Amount of debt servicing limit unused	**$ 4,134,915**	$ 3,822,811

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.

13. ACCUMULATED SURPLUS

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

	2015	2014
RESTRICTED AMOUNTS		
Operating reserves		
Working capital - general	**$ 2,912,873**	$ 2,294,802
Financial Management	**271,308**	271,308
Building	**160,921**	136,921
Transportation - Operating	**464,962**	464,962
Drainage	**25,000**	20,000
Municipal-in-lieu	**58,991**	51,239
ASB - Weed spraying	**16,020**	16,020
Regional Development	**5,400**	5,400
Water line contingency	**50,000**	50,000
Sewer line contingency	**93,875**	93,875
	4,059,350	3,404,527
Capital reserves		
General capital	**2,714,828**	6,306,882
Transportation - capital	**5,741,492**	5,174,789
Sewer construction	**1,105,858**	1,055,448
Water construction	**681,430**	620,375
Fire protection	**355,284**	559,310
Recreation	**76,140**	75,386
Landfill	**41,034**	36,034
Equipment replacement	**57,348**	77,299
EDP equipment	**49,731**	41,238
Regional Development	**197,750**	180,272
ASB	**31,080**	30,772
Cultural	**119,682**	118,497
	11,171,657	14,276,302
	15,231,007	17,680,829
EQUITY IN TANGIBLE CAPITAL ASSETS		
Tangible capital assets	**101,685,268**	98,065,599
Long-term debt (tax supported)	**(873,581)**	(948,114)
	100,811,687	97,117,485
UNRESTRICTED AMOUNTS	**4,267,749**	3,461,150
	$ 120,310,444	$ 118,259,466

14. SEGMENTED DISCLOSURE

The Municipal District of Lesser Slave River No. 124 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 the Schedule of Segmented Disclosure (Schedule 2).

15. SALARY AND BENEFITS DISCLOSURE

	2015			2014
	Salary (1)	Benefits & Allowances (2)	**Total**	Total
Councillors:				
Kerik	$ 38,550	$ 253	**$ 38,803**	$ 36,802
Esau	34,150	253	**34,403**	25,140
Fulmore	31,650	253	**31,903**	22,058
Horton	25,650	165	**25,815**	19,757
Pearson	33,400	253	**33,653**	27,744
Rosche	28,100	253	**28,353**	20,360
Skrynyk	33,650	253	**33,903**	26,439
Chief Administrative Officer	190,996	19,101	**210,097**	230,773
	$ 416,146	$ 20,784	**$ 436,930**	$ 409,073

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

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, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

16. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipal District 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 237,612 people and 423 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 Municipal District 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 Municipal District 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 Municipal District to the LAPP in 2015 were $453,416 (2014 - $432,208). Total current service contributions by the employees of the Municipal District to the Local Authorities Pension Plan in 2015 were $417,145 (2014 - $397,933).

At December 31, 2014, the LAPP disclosed an actuarial deficiency of $2.45 billion (2013 - $4.86 billion).

17. CONTINGENCIES

The Municipal District is a member of the Alberta Local Authorities Jubilee Reciprocal and Genesis Reciprocal Insurance Exchange programs. Under the terms of the membership, the Municipal District could become liable for its proportionate 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.

The Municipal District is a defendant in two lawsuits related to damages and loss, and injuries sustained by the plaintiffs. At present, the outcome is not determinable. The amount of any future settlement would be accounted for as a current transaction in the year of the settlement.

18. CONTRACTUAL OBLIGATIONS

(a) Town of Slave Lake
The Municipal District and the Town of Slave Lake have entered into an Inter-municipal Cost Sharing Agreement. Under the terms of the Agreement the Municipal District is committed to pay a proportionate share of the net operating costs related to the recreation services, community services, and animal control services provided by the Town. The proportionate share is based on the populations of the Town of Slave Lake and the immediate surrounding area of the Municipal District. The proportionate share for the Municipal District in 2015 was 19%. In addition, in this Agreement the Municipal District is committed to paying 10% of the tax revenue resulting from assessment growth in the Mitsue Industrial Area.

(b) Regional Fire Service
The Municipal District and the Town of Slave Lake have entered into a Regional Fire Service Agreement with the Town of Slave Lake to provide a regional fire service. Under the terms of the Agreement, the Municipal District is committed to pay a proportionate share of the net operating and capital costs of the fire service. The proportionate share for operating costs is tied to the percentage of responses occurring in the Municipal District. This amount can fluctuate annually. The proportionate share for capital costs of the regional fire service is 50% based on the approved capital plan.

19. FINANCIAL INSTRUMENTS

The Municipal District's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, deferred revenue, employee benefit obligations, reclamation liabilities, and long-term debt. It is management's opinion that the Municipal District is not exposed to significant interest or currency risks arising from these financial instruments.

The Municipal District is subject to credit risk with respect to taxes and grants in place of taxes, and receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipal District 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 approximate fair value.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

21. BUDGET DATA

The budget presented in these financial statements are based upon the 2015 operating and capital budgets approved by Council on March 25, 2015.

The table below reconciles the approved budget to the budgeted figures reported in these financial statements.

	Budget Amount
Revenue	
Operating budget	$ 16,217,438
Capital budget	30,646,619
Less:	
Transfers from other funds	(8,812,610)
Total Revenue	38,051,447
Expenses	
Operating budget	22,852,105
Capital budget	30,646,619
Less:	
Transfers to other funds	(1,321,541)
Less Capital Expenditures	(30,646,619)
Long-term debt principal payments	(212,838)
Net change in gravel inventory	(129,342)
Total expenses	21,188,384
Annual Surplus	$ 16,863,063

22. ACCOUNTING POLICY ADOPTION

In June 2010, the Public Sector Accounting Board issued PS – 3260 Liability for Contaminated Sites for the fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into the air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Municipal District adopted this accounting standard retroactively as of January 1, 2015. There was no impact to the Municipal District's financial statements due to this adoption.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.