Financial Statements of

Municipal District of
Lesser Slave River No. 124

December 31, 2017

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Lesser Slave River

MANAGEMENT'S REPORT

DECEMBER 31, 2017

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 Metrix Group LLP, Chartered Professional 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. Metrix Group LLP has full and free access to Council.

Jason Warawa, CPA, CMA
Director of Finance

Allan Winarski, CPA, CGA
Chief Administrative Officer

March 28, 2018

MUNICIPAL DISTRICT of LESSER SLAVE RIVER no. 124 | Tel 780.849.4888 | Toll-Free 1.866.449.4888 | Fax 780.849.4939 | P.O. BOX 722, SLAVE LAKE AB T0G 2A0 | MDLSR.CA

METRIX GROUP LLP
CHARTERED PROFESSIONAL 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, 2017 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, 2017 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.

METRIX GROUP LLP

Chartered Professional Accountants

March 28, 2018
Edmonton, Alberta

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Financial Position
December 31, 2017

	2017	2016
FINANCIAL ASSETS		
Cash (*Note 2)*	$ 134,873	$ 4,996,117
Receivables		
Taxes and grants in lieu of taxes (*Note 3)*	365,628	385,433
Trade and other receivables (*Note 4)*	721,459	611,253
Other long-term receivables	1,099,107	1,313,177
Debt charges recoverable *(Note 5)*	2,484,783	-
Investments (*Note 6)*	40,580,887	38,899,730
	45,386,737	46,205,710
LIABILITIES		
Accounts payable and accrued liabilities	1,747,720	2,080,420
Deposit liabilities	344,275	327,740
Deferred revenue (*Note 8)*	16,167,629	18,622,899
Employee benefit obligations (*Note 9)*	239,661	208,574
Reclamation liabilities (*Note 10)*	-	73,400
Liability for contaminated sites *(Note 11)*	338,210	-
Long-term debt (*Note 13)*	5,325,368	3,123,149
	24,162,863	24,436,182
NET FINANCIAL ASSETS	**21,223,874**	**21,769,528**
NON-FINANCIAL ASSETS		
Tangible capital assets *(Schedule 1)*	97,714,615	97,869,140
Inventory for consumption *(Note 12)*	1,290,870	1,472,599
Prepaid expense	212,464	204,402
	99,217,949	99,546,141
ACCUMULATED SURPLUS *(Note 15)*	**$ 120,441,823**	**$ 121,315,669**

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, 2017

	2017 Budget *(Note 23)*	2017 Actual	2016 Actual
REVENUE			
Net municipal property taxes *(Schedule 3)*	$ 12,864,736	$ 12,849,666	$ 13,801,204
User fees and sales of goods	1,428,540	1,473,764	1,513,834
Government transfers *(Schedule 4)*	702,474	765,041	1,208,046
Investment income	385,000	670,107	614,383
Penalties and costs of taxes	103,000	110,317	123,012
Licenses and permits	42,000	29,064	23,795
Other	67,325	311,923	160,351
Total revenue	**15,593,075**	**16,209,882**	**17,444,623**
EXPENSES			
Legislative	314,265	286,549	299,448
Administration	2,484,616	2,445,853	2,424,041
Protective Services	1,542,421	1,345,103	1,824,110
Roads, streets, walks, lighting	9,492,197	8,839,735	7,422,218
Common services	1,650,752	1,591,318	1,122,795
Water supply and distribution	1,972,354	2,011,758	1,858,538
Wastewater treatment and disposal	1,506,259	1,496,730	1,390,352
Waste management	380,589	628,460	357,164
Family and community support	103,169	92,261	93,624
Agriculture, planning and development	1,108,126	858,627	777,269
Parks, recreation ,culture	1,227,606	1,081,922	747,700
Inter-municipal Cost Sharing *(Note 20)*	350,000	415,057	390,657
Total expenses	**22,132,354**	**21,093,373**	**18,707,916**
ANNUAL SURPLUS (DEFICIENCY) BEFORE OTHER REVENUE	(6,539,279)	(4,883,491)	(1,263,293)
OTHER REVENUE			
Government transfers for capital *(Schedule 4)*	3,423,639	4,055,400	2,048,318
Gain (loss) on disposal of tangible capital assets	70,000	(45,755)	220,200
	3,493,639	**4,009,645**	**2,268,518**
ANNUAL SURPLUS	**(3,045,640)**	**(873,846)**	**1,005,225**
ACCUMULATED SURPLUS, BEGINNING OF YEAR	121,315,669	121,315,669	120,310,444
ACCUMULATED SURPLUS, END OF YEAR *(Note 15)*	**$ 118,270,029**	**$ 120,441,823**	**$ 121,315,669**

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, 2017

	2017 Budget *(Note 23)*	2017 Actual	2016 Actual
ANNUAL SURPLUS	**$ (3,045,640)**	**$ (873,846)**	**$ 1,005,225**
Acquisition of tangible capital assets	(9,671,446)	(6,769,692)	(2,520,900)
Proceeds on disposal of tangible capital assets	70,000	122,059	220,200
Amortization of tangible capital assets	6,690,109	6,756,404	6,337,029
(Gain) loss on disposal of tangible capital assets	(70,000)	45,755	(220,220)
	(6,026,977)	**154,526**	**3,816,129**
Change in inventory for consumption	-	181,729	17,658
Change in prepaid expenses	-	(8,063)	11,765
	-	**173,666**	**29,423**
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(6,026,977)	(545,654)	4,850,776
NET FINANCIAL ASSETS, BEGINNING OF YEAR	21,769,528	21,769,528	16,918,752
NET FINANCIAL ASSETS, END OF YEAR	**$ 15,742,551**	**$ 21,223,874**	**$ 21,769,528**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Cash Flow
December 31, 2017

	2017 Actual	2016 Actual
Operating Activities		
Annual surplus	$ (873,846)	$ 1,005,225
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,756,404	6,337,029
(Gain) loss on disposal of tangible capital assets	45,755	(220,200)
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place	19,805	(31,290)
Decrease (increase) in trade and other receivables	(110,206)	1,168,021
Decrease (increase) in long-term receivables	214,070	212,000
Decrease (increase) in debt charges recoverable	(2,434,783)	-
Decrease (increase) in prepaid expenses	(8,063)	11,765
Decrease (increase) in inventory for consumption	181,729	17,658
Increase (decrease) in accounts payable and accrued liabilities	(332,700)	(2,047,800)
Increase (decrease) in deposit liabilities	16,535	(252,351)
Increase (decrease) in deferred revenue	(2,455,270)	6,080,316
Increase (decrease) in employee benefit obligations	31,087	18,806
Increase (decrease) in reclamation liabilities	(73,400)	-
Increase in environmental liabilities	338,210	-
Cash provided by operating transactions	**1,265,327**	**12,299,179**
Capital Activities		
Purchase of tangible capital assets	(6,769,692)	(2,520,900)
Proceeds on disposal of tangible capital assets	122,059	220,200
Cash applied to capital transactions	**(6,647,633)**	**(2,300,700)**
Financing Activities		
Long-term debt issued	2,600,000	-
Long-term debt repaid	(397,782)	(300,984)
Cash provided by (applied to) financing transactions	**2,202,219**	**(300,984)**
Investing Activities		
Purchase of Investments	(1,681,157)	(18,454,924)
Cash provided by (applied to) investing transactions	**(1,681,157)**	**(18,454,924)**
CHANGE IN CASH DURING THE YEAR	(4,861,244)	(8,757,430)
CASH AT BEGINNING OF YEAR	4,996,117	13,753,547
CASH AT END OF YEAR	**$ 134,873**	**$ 4,996,117**

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

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Tangible Capital Assets
December 31, 2017

"Schedule 1"

	Land	**Engineered Structures**	**Buildings & Facilities**	**Machinery & Equipment**	**Vehicles**	**Work In Progress**	**2017**	**2016**
COST								
BALANCE, BEGINNING OF YEAR	$ 2,733,201	$ 144,127,992	$ 34,097,289	$ 9,194,039	$ 1,271,615	$ 5,000,839	**$ 196,421,975**	$ 194,912,906
Acquisition of tangible capital assets	-	3,631,953	341,508	591,455	259,702	1,945,076	**6,769,692**	2,520,900
Transfer in (out) of WIP	-	2,492,400	208,240	508,871	-	(3,209,511)	**-**	-
Disposals	-	-	(268,697)	(483,448)	(170,566)	-	**(922,711)**	(1,011,832)
BALANCE, END OF YEAR	2,733,201	150,249,345	34,378,340	9,810,917	1,360,751	3,736,402	**202,268,956**	196,421,975
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	78,595,992	13,483,276	5,472,087	1,001,480	-	**98,552,835**	93,227,638
Annual amortization	-	4,828,975	1,024,636	771,119	131,674	-	**6,756,404**	6,337,029
Disposals	-	-	(111,594)	(483,448)	(159,855)	-	**(754,897)**	(1,011,832)
BALANCE, END OF YEAR	-	83,424,967	14,396,318	5,759,758	973,299	-	**104,554,342**	98,552,835
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,733,201	$ 66,824,378	$ 19,982,022	$ 4,051,159	$ 387,452	$ 3,736,402	**$ 97,714,615**	$ 97,869,140
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,733,201	$ 65,529,000	$ 20,614,013	$ 3,721,952	$ 270,135	$ 5,000,839		$ 97,869,140

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, 2017

"Schedule 2"

2017	**General Government**	**Protective Services**	**Transportation Services**	**Environmental Services**	**Planning & Development**	**Recreation & Culture**	**Total**
REVENUE							
Net municipal taxes	$ 12,849,666	$ -	$ -	$ -	$ -	$ -	**$ 12,849,666**
Government transfers	3,834	452,418	2,779,143	1,293,057	291,989	-	**4,820,441**
User fees and sales of goods	36,173	50,275	167,042	1,117,118	76,953	26,204	**1,473,764**
Investment income	670,107	-	-	-	-	-	**670,107**
Other revenues	372,623	18,102	-	3,861	10,962	-	**405,548**
	13,932,403	520,795	2,946,184	2,414,036	379,904	26,204	**20,219,527**
EXPENSES							
Contracted and general services	935,574	400,773	1,368,673	848,714	270,427	131,984	**3,956,145**
Salaries, wages and benefits	1,424,468	173,431	2,224,610	1,025,654	454,748	105,250	**5,408,161**
Goods and supplies	127,811	56,735	1,851,065	640,294	82,803	62,272	**2,820,983**
Transfers to other governments and boards	420,556	479,063	100,000	208,216	135,192	575,745	**1,918,772**
Long-term debt interest	28,106	-	-	138,601	-	-	**166,707**
Other expenses	68,478	-	-	(2,277)	-	-	**66,201**
	3,004,993	1,110,002	5,544,348	2,859,202	943,170	875,251	**14,336,969**
NET REVENUE (DEFICIT), BEFORE AMORTIZATION	10,927,410	(589,207)	(2,598,164)	(445,166)	(563,266)	(849,046)	**5,882,558**
Amortization	142,465	235,101	4,886,705	1,277,746	7,718	206,671	**6,756,404**
ANNUAL SURPLUS	**$ 10,784,945**	**$ (824,308)**	**$ (7,484,869)**	**$ (1,722,912)**	**$ (570,984)**	**$ (1,055,718)**	**$ (873,846)**

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, 2017

"Schedule 2"

2016	**General Government**	**Protective Services**	**Transportation Services**	**Environmental Services**	**Planning & Development**	**Recreation & Culture**	**Total**
REVENUE							
Net municipal taxes	$ 13,801,204	$ -	$ -	$ -	$ -	$ -	**$ 13,801,204**
Government transfers	-	995,212	1,019,375	(62,950)	288,293	1,016,434	**3,256,364**
User fees and sales of goods	20,984	-	244,265	1,122,879	85,590	40,115	**1,513,834**
Investment income	614,383	-	-	-	-	-	**614,383**
Other revenues	412,972	11,269	-	4,342	12,526	86,247	**527,356**
	14,849,543	1,006,481	1,263,640	1,064,271	386,409	1,142,796	**19,713,141**
EXPENSES							
Contracted and general services	969,094	345,796	729,773	540,994	213,378	134,260	**2,933,295**
Salaries, wages and benefits	1,408,473	213,915	2,050,791	1,009,041	423,973	101,208	**5,207,401**
Goods and supplies	124,856	70,507	1,252,202	563,553	72,099	81,829	**2,165,046**
Transfers to other governments and boards	387,133	922,977	100,000	90,894	161,149	164,495	**1,826,648**
Long-term debt interest	-	-	-	150,132	-	-	**150,132**
Other expenses	84,939	-	-	3,425	-	-	**88,364**
	2,974,495	1,553,195	4,132,766	2,358,039	870,599	481,792	**12,370,887**
NET REVENUE (DEFICIT), BEFORE AMORTIZATION	11,875,048	(546,714)	(2,869,126)	(1,293,768)	(484,190)	661,004	**7,342,253**
Amortization	132,228	270,914	4,412,246	1,255,732	-	265,908	**6,337,029**
ANNUAL SURPLUS	**$ 11,742,820**	**$ (817,628)**	**$ (7,281,373)**	**$ (2,549,501)**	**$ (484,190)**	**$ 395,096**	**$ 1,005,225**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Property Taxes and Other Taxes
December 31, 2017 "Schedule 3"

	2017 Budget *(Note 23)*	2017 Actual	2016 Actual
TAXATION			
Real property taxes	$ 11,954,865	$ 11,949,525	$ 12,272,235
Linear property taxes	5,459,941	5,452,895	6,250,973
Government grants in place of property taxes	20,986	19,232	21,196
	17,435,792	**17,421,652**	**18,544,404**
REQUISITIONS			
Alberta School Foundation Fund	3,991,649	3,991,646	4,175,756
Seniors Lodges	579,407	580,340	567,444
	4,571,056	**4,571,986**	**4,743,200**
NET MUNICIPAL TAXES	**$ 12,864,736**	**$ 12,849,666**	**$ 13,801,204**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Government Transfers
December 31, 2017 "Schedule 4"

	2017 Budget *(Note 23)*	2017 Actual	2016 Actual
TRANSFERS FOR OPERATING			
Provincial government	$ 677,474	$ 738,519	$ 1,185,220
Local governments	25,000	26,522	22,826
	702,474	**765,041**	**1,208,046**
TRANSFERS FOR CAPITAL			
Provincial government	3,423,639	4,055,400	2,048,318
TOTAL GOVERNMENT TRANSFERS	**$ 4,126,113**	**$ 4,820,441**	**$ 3,256,364**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Expenses by Object
December 31, 2017

"Schedule 5"

	2017 Budget *(Note 23)*	**2017 Actual**	**2016 Actual**
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 5,726,568	$ 5,408,161	$ 5,207,401
Contracted and general services	4,862,655	3,956,145	2,933,295
Materials, goods and utilities	2,799,275	2,820,983	2,165,046
Provision for allowances	-	65,284	87,277
Transfers to local boards and agencies	1,909,778	1,918,772	1,826,648
Bank charges and short term interest	2,600	917	1,087
Interest on long-term debt	141,370	166,707	150,132
Amortization	6,690,108	6,756,404	6,337,029
	$ 22,132,354	**$ 21,093,373**	**$ 18,707,916**

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

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.

Investment income is reported as revenue in the period earned. When required by the funding government or related act, investment income earned on deferred revenue is added to the investment, and forms part of the deferred revenue balance.

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	5-20

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.

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 Municipal District and are recognized as revenue in the year they are levied.

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.

j) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from other local governments with respect to outstanding debentures incurred on their behalf for projects unrelated to the Municipal District. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long term debt.

2. CASH

	2017	2016
Cash	**$ 134,873**	$ 4,996,117

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2017	2016
Current taxes and grants in place of taxes	**$ 296,903**	$ 294,978
Arrears taxes	**260,381**	202,892
	557,284	497,870
Less: allowance for doubtful accounts	**(191,656)**	(112,437)
	$ 365,628	$ 385,433

4. TRADE AND OTHER RECEIVABLES

	2017	2016
Trade and Accrued Receivables	**$ 507,028**	$ 483,090
Goods and Services Tax	**117,858**	58,458
Utilities	**112,471**	99,182
	737,357	640,730
Less: allowance for doubtful accounts	**(15,898)**	(29,477)
	$ 721,459	$ 611,253

5. DEBT CHARGES RECOVERABLE

	2017	2016
Current debt charges recoverable	**$ 234,778**	$ -
Long-term debt charges recoverable	**2,250,005**	-
	$ 2,484,783	$ -

The Municipal District assumed a debenture on behalf of Lesser Slave Lake Regional Housing Authority. The Municipal District is not in a partnership with Lesser Slave Lake Regional Housing Authority on the capital project but agreed to obtain the funding that they requires and is reimbursed 100% for both principal and interest payments.

In 2017, a debenture was borrowed in the amount of $2,600,000 at an interest rate of 2.495% and is repayable in quarterly payments expiring June 2027. Debenture principal and interest repayments are due as follows:

	Principal	Interest	Total
2018	$ 234,778	$ 59,810	$ 294,588
2019	240,691	53,897	294,588
2020	246,752	47,836	294,588
2021	252,967	41,621	294,588
2022	259,338	35,250	294,588
Thereafter	1,250,257	75,390	1,325,647
	$ 2,484,783	$ 313,804	$ 2,798,587

These payments are not disclosed as revenues and expenses by the Municipal District as this loan is 100% recoverable from Lesser Slave Lake Regional Housing Authority.

6. INVESTMENTS

	2017		2016	
	Cost	**Market Value**	Cost	Market Value
Alberta Capital Finance Authority Shares	**$ 50**	**$ 50**	$ 50	$ 50
Alberta Treasury Branch - GICs	**40,354,879**	**40,354,879**	38,687,300	38,687,300
Province of Ontario Coupon Bonds	**225,854**	**244,339**	212,276	242,600
RBC Dominion Securities Cash Balance	**104**	**104**	104	104
	$ 40,580,887	**$ 40,599,372**	$ 38,899,730	$ 38,930,054

Alberta Treasury Branch held Guaranteed Investment Certificates or Term Deposits at interest rates ranging from 1.75% – 2.20% and mature in periods 2018 thru 2019.

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

Included in investments is a restricted amount of $16,167,629 received from various Government of Alberta grant programs and is held exclusively for qualifying or specific projects *(Note 7).* In 2016, the restricted amount of $18,622,899 was held in cash.

7. 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, 2017, the combined balance owing on credit facilities was $NIL (2016-$NIL)

8. 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.

	2016	Additions	Revenue Recognized	**2017**
Municipal MPB Grant Program	$ 93,944	$ 686	$ -	**$ 94,630**
Tri-Council Regional Recovery Grants	16,580,972	433,650	(1,652,923)	**15,361,699**
U of A ATV Training Grant	6,647	-	-	**6,647**
2015 Mun. Sustainability Initiative - Capital	340,040	-	(340,040)	**-**
2016 Mun. Sustainability Initiative - Capital	1,482,606	-	(1,482,606)	**-**
2017 Mun. Sustainability Initiative - Capital	-	1,439,364	(773,427)	**665,937**
FRIAA Fire Smart Grant	100,000	-	(79,975)	**20,025**
Red Cross - Highway Markers	18,691	-	-	**18,691**
	$ 18,622,899	$ 1,873,700	$ (4,328,971)	**$ 16,167,629**

Prepaid Provincial Grants

Funding in the amount of $95,992 was received in 2010 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 $2,774 earned in interest.

Funding in the amount of $30,313,400 was received from Alberta Municipal Affairs between 2012-2016 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. During 2011-2016, there was $21,195,318 expended and another $1,652,923 spent in 2017.

Funding in the amount of $1,434,538 was received in 2017 from the Alberta Government Municipal Sustainability Initiative Capital Grant Program for municipalities to manage growth pressures and provide sustainable funding. $773,427 of this funding was allocated to local road construction projects and interest earned to date on the balance is $4,826.

9. EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Vacation and overtime	**$ 239,661**	$ 208,574

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.

10. 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.

	2017	2016
Estimated post-closure costs	**$ -**	$ 73,400

11. LIABILITY FOR CONTAMINATED SITES

	2017	2016
Site clean-up, remediation and monitoring	**$ 338,210**	$ -

The Municipal District has accepted responsibility for remediation work on an individual site within the Municipal District's boundaries for soil contamination. The estimated remediation activities include general site clean-up, additional site investigation, risk assessment and monitoring. This estimated liability is based on current contractor and engineering costs with no estimated recoveries.

12. INVENTORY FOR CONSUMPTION

	2017	2016
Gravel	**$ 537,998**	$ 656,291
Transportation Materials	**371,247**	413,450
ASB Chemicals	**34,058**	35,581
Sewer Supplies and Materials	**347,567**	367,277
	$ 1,290,870	$ 1,472,599

13. LONG-TERM DEBT

		2017		2016
Tax Supported Debentures - Capital *(Note 15)*	**$**	**712,591**	$	795,142
Self Supported Debentures - Operating		**2,130,886**		2,293,790
Debt Charges Recoverable *(Note 5)*		**2,481,891**		-
Obligation Under Capital Lease		**-**		34,217
	$	**5,325,368**	$	3,123,149

The current portion of the long-term debt amounts to $497,178 (2016 - $279,672)

Principal and interest repayments are as follows:

		Principal		Interest		Total
2018	$	497,178	$	177,732	$	674,910
2019		514,534		160,377		674,911
2020		532,603		142,307		674,910
2021		551,421		123,490		674,911
2022		571,019		103,891		674,910
Thereafter		2,658,613		262,193		2,920,806
	$	5,325,368	$	969,990	$	6,295,358

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest rates ranging from 1.995% to 5.175% per annum, and matures in 2024 through to 2030. The average annual interest rate is 4.117%. Debenture debt is issued on the credit and security of the Municipal District at large.

The proceeds from the housing debenture was used to fund a loan to the Lesser Slave Lake Regional Housing Authority for the purpose of re-financing capital construction costs on a senior's facility in the Town of Slave Lake. The interest rate on this debenture is 1.995%. A loan agreement was entered into in 2017 and was recorded as debt charges recoverable at an interest rate of 2.495% and is secured by way of mortgage on the capital property. Both the debenture and the debt charge recoverable will mature on June 15, 2027.

Interest on long-term debt including the lease obligation amounted to $167,599 (2016 - $154,864).

The Municipal District's total cash payments for interest in 2017 were $167,303 (2016 - $152,767).

14. 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:

	2017	2016
Total debt limit	**$ 24,314,823**	$ 26,166,933
Total debt *(Note 13)*	**5,325,368**	3,123,149
Amount of debt limit unused	**$ 18,989,455**	$ 23,043,784
Debt servicing limit	**$ 4,052,471**	$ 4,361,156
Debt servicing *(Note 13)*	**497,178**	421,336
Amount of debt servicing limit unused	**$ 3,555,293**	$ 3,939,820

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.

15. ACCUMULATED SURPLUS

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

	2017	2016
RESTRICTED AMOUNTS		
Operating reserves		
Working capital - general	$ 2,601,096	$ 3,098,852
Wildfire Recovery	582,919	715,361
Financial Management	271,308	271,308
Building	208,921	184,921
Transportation - Operating	464,962	464,962
Drainage	35,000	30,000
Municipal-in-lieu	29,722	29,722
ASB - Weed spraying	16,020	16,020
Regional Development	5,400	5,400
Water line contingency	150,000	100,000
Sewer line contingency	93,875	93,875
	4,459,223	5,010,421
Capital reserves		
General capital	4,620,159	3,007,800
Transportation - capital	8,125,492	8,080,905
Sewer construction	1,226,304	1,167,417
Water construction	794,502	738,744
Fire protection	511,324	433,598
Recreation	77,463	76,902
Landfill	51,870	46,495
Equipment replacement	593,989	653,740
EDP equipment	20,634	12,484
Regional Development	198,834	215,402
ASB	23,269	31,391
Cultural	121,761	120,879
	16,365,601	14,585,757
	20,824,824	19,596,178
EQUITY IN TANGIBLE CAPITAL ASSETS		
Tangible capital assets	97,714,615	97,869,140
Long-term debt (tax supported)	(712,591)	(795,142)
	97,002,024	97,073,998
UNRESTRICTED AMOUNTS	2,614,975	4,645,492
	$ 120,441,823	$ 121,315,669

16. 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).

17. SALARY AND BENEFITS DISCLOSURE

	2017			2016
	Salary (1)	Benefits & Allowances (2)	**Total**	Total
Councillors:				
Kerik	$ 34,050	$ 253	**$ 34,303**	$ 39,053
Commins	7,150	-	**7,150**	-
Esau	28,650	253	**28,903**	31,153
Fulmore	25,500	253	**25,753**	30,903
Horton	16,750	165	**16,915**	26,065
Melzer	9,550	-	**9,550**	-
Pearson	36,150	253	**36,403**	35,403
Peiffer	5,400	-	**5,400**	-
Rosche	23,100	253	**23,353**	27,353
Skrynyk	24,000	253	**24,253**	33,653
Chief Administrative Officer	188,387	31,407	**219,794**	218,060
	$ 398,687	$ 33,090	**$ 431,777**	$ 441,643

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.

18. 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 253,862 people and 417 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 2017 were $421,726 (2016 - $430,401). Total current service contributions by the employees of the Municipal District to the Local Authorities Pension Plan in 2017 were $387,772 (2016 - $395,850).

At December 31, 2016, the LAPP disclosed an actuarial deficiency of $637 million (2015 - $923 million).

19. CONTINGENCIES

(a) Alberta Local Authorities Genesis Reciprocal Insurance Exchange

The Municipal District is a member of the Alberta Local Authorities Genesis Reciprocal Insurance Exchange program. 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.

(b) Legal Claims

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

20. 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 2017 was 21%. 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.

21. FINANCIAL INSTRUMENTS

The Municipal District's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, 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.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

23. BUDGET DATA

The budget presented in these financial statements are based upon the 2017 operating and capital budgets approved by Council on April 12, 2017.

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

	Budget Amount
Revenue	
Operating budget	$ 17,114,770
Capital budget	9,671,446
Less:	
Transfers from other funds	(7,699,502)
Total Revenue	19,086,714
Expenses	
Operating budget	23,804,879
Capital budget	9,671,446
Less:	
Transfers to other funds	(1,371,541)
Capital Expenditures	(9,671,446)
Long-term debt principal payments	(300,984)
Total expenses	22,132,354
Annual Surplus	$ (3,045,640)

24. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary to conform to the 2017 presentation.