

Consolidated Financial Statements of

TOWN OF HIGH LEVEL

Year ended December 31, 2015

TOWN OF HIGH LEVEL

Consolidated Financial Statements

Year ended December 31, 2015

Financial Statements

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Town of High Level (the "Town") are the responsibility of the Town's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Town's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

Council meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Town. The accompanying Auditors' report outlines their responsibilities, the scope of their examination and their opinion on the Town's consolidated financial statements.



Adam Clarkson
Chief Administrative Officer



Brittany Stahl
Director of Finance

April 25, 2016



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of Council of the Town of High Level

We have audited the accompanying consolidated financial statements of the Town of High Level, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 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 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 our 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, we consider 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 qualified audit opinion.



Basis for Qualified Opinion

The Town of High Level failed to adopt accounting standard PS3260 – Liability for Contaminated Sites in the current year, which constitutes a departure from requirements of Canadian public sector accounting standards. As the Town of High Level did not perform an assessment of what, if any, implications there would be from the adoption of this accounting standard, we were not able to determine, as at and for the year ended December 31, 2015 the impact of this omission on the expenses and annual surplus reported in the statement of operations, annual surplus reported in the statement of changes in net financial assets, and liabilities and accumulated surplus reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Town of High Level as at December 31, 2015, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads "KPMG LLP" in a stylized, cursive font. A thin horizontal line extends from the bottom of the "P" in "KPMG" to the right, ending under the "L" in "LLP".

Chartered Professional Accountants

April 25, 2016
Edmonton, Canada

TOWN OF HIGH LEVEL

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial assets:		
Cash	\$ 217,722	\$ 800,127
Accounts receivable (note 3)	1,946,806	1,710,439
Investments (note 4)	6,004,417	6,148,208
	<u>8,168,945</u>	<u>8,658,774</u>
Liabilities:		
Accounts payable and accrued liabilities	1,302,743	1,578,164
Wages and benefits payable	183,989	260,936
Deferred revenue (note 6)	493,827	368,486
Long-term debt (note 7)	3,941,426	4,469,374
Deposit liabilities	36,370	48,200
	<u>5,958,355</u>	<u>6,725,160</u>
Net financial assets	2,210,590	1,933,614
Non-financial assets:		
Tangible capital assets (note 9)	118,690,225	119,699,323
Inventories of supplies	153,504	122,140
Prepaid expenses	485,383	465,920
	<u>119,329,112</u>	<u>120,287,383</u>
Accumulated surplus (note 10)	\$ 121,539,702	\$ 122,220,997

Operating line of credit (note 5)

Contingent liabilities (note 11)

Environmental matters (note 12)

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

Approved by:



Mayor

 Councilor

TOWN OF HIGH LEVEL

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2015, with comparative information for 2014

	Budget	2015	2014
	(Note 21)		
Revenue:			
Net municipal taxes (note 13)	\$ 4,658,268	\$ 4,550,313	\$ 4,398,934
User fees and sales of goods	4,301,452	4,560,842	4,391,152
Government transfers			
- operating (note 14)	828,249	877,945	843,665
Investment income	200,070	119,635	258,592
Penalties and costs of taxes	56,000	39,496	61,982
Development levies	-	44,774	63,666
Licenses and permits	80,240	81,177	77,630
Other	368,841	545,835	426,326
	10,493,120	10,820,017	10,521,947
Expenses (note 15):			
Legislative	344,724	321,958	300,188
Administration	1,843,163	1,641,341	1,693,296
Protective services	1,263,008	1,452,696	1,139,498
Transportation	5,489,539	5,127,035	5,031,445
Water supply and distribution	2,017,157	2,011,865	1,679,366
Wastewater treatment and disposal	915,024	845,871	695,067
Waste management	217,029	202,336	196,091
Family and community support	170,612	171,837	156,609
Planning and development	433,586	253,190	614,586
Parks and recreation	1,843,923	1,769,870	1,724,388
Culture and library	670,655	573,349	509,483
	15,208,420	14,371,348	13,740,017
Annual deficit before other	(4,715,300)	(3,551,331)	(3,218,070)
Other:			
Government transfers -			
capital (note 14)	2,252,356	2,870,036	1,863,377
Annual deficit	(2,462,944)	(681,295)	(1,354,693)
Accumulated surplus, beginning of year	122,220,997	122,220,997	123,575,690
Accumulated surplus, end of year	\$ 119,758,053	\$ 121,539,702	\$ 122,220,997

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

TOWN OF HIGH LEVEL

Consolidated Statement of Changes in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget (Note 21)	2015	2014
Annual deficit	\$ (2,462,944)	\$ (681,295)	\$ (1,354,693)
Acquisition of tangible capital assets	(3,322,178)	(3,686,957)	(5,161,830)
Amortization of tangible capital assets	4,571,459	4,696,055	4,648,388
Loss on disposal of tangible capital assets	-	-	5,672
Proceeds on disposal of tangible capital assets	-	-	<u>10,502</u>
	(1,213,663)	327,803	(1,851,961)
Acquisition of inventories of supplies	-	(414,068)	(4,869)
Acquisition of prepaid expenses	-	(217,183)	(465,920)
Consumption of inventories of supplies	-	382,704	22,711
Use of prepaid expenses	-	197,720	433,597
	-	(50,827)	(14,481)
Change in net financial assets	(1,213,663)	276,976	(1,866,442)
Net financial assets, beginning of year	1,933,614	1,933,614	3,800,056
Net financial assets, end of year	\$ 719,951	\$ 2,210,590	\$ 1,933,614

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

TOWN OF HIGH LEVEL

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (681,295)	\$ (1,354,693)
Items not involving cash:		
Amortization of tangible capital assets	4,696,055	4,648,388
Amortization of discount on investments	137,112	(71,437)
Loss on disposal of tangible capital assets	-	5,672
Loss (gain) on disposal of investments	(44,960)	61,503
Change in non-cash assets and liabilities:		
Accounts receivable	(236,367)	1,110,695
Land held for resale	-	879,657
Accounts payable and accrued liabilities	(275,421)	(1,346,062)
Deposit liabilities	(11,830)	(910)
Deferred revenue	125,341	(619,822)
Wages and benefits payable	(76,947)	(21,729)
Inventories of supplies	(31,364)	17,842
Prepaid expenses	(19,463)	(32,323)
Net change in cash from operating activities	<u>3,580,861</u>	<u>3,276,781</u>
Capital activities:		
Acquisition of tangible capital assets	(3,686,957)	(5,161,830)
Proceeds on disposal of tangible capital assets	-	10,502
Net change in cash from capital activities	<u>(3,686,957)</u>	<u>(5,151,328)</u>
Investing activities:		
Purchase of investments	(2,888,232)	(4,295,124)
Sales of investments	2,939,871	6,572,037
Net change in cash from investing activities	<u>51,639</u>	<u>2,276,913</u>
Financing activities:		
Long-term debt repaid	(527,948)	(671,245)
Net change in cash from financing activities	<u>(527,948)</u>	<u>(671,245)</u>
Net change in cash	(582,405)	(268,879)
Cash, beginning of year	800,127	1,069,006
Cash, end of year	\$ 217,722	\$ 800,127
Cash paid for interest	\$ 205,878	\$ 241,276
Cash received from interest	233,228	347,809

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

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements

Year ended December 31, 2015

1. Nature of organization:

On June 1, 1965, the Province of Alberta passed Order in Council 967/65 incorporating the New Town of High Level. Order in Council 750/83, passed August 31, 1983, changed the name to the Town of High Level (the "Town"). The Town is governed by the Municipal Government Act of the Province of Alberta.

2. Significant accounting policies:

The consolidated financial statements of the Town are prepared by the Town's management in accordance with Canadian Public Sector Accounting Standards ("PSAS"). Significant accounting policies adopted by the Town are as follows:

(a) Reporting entity:

i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations, communities and local boards accountable for the administration of their financial affairs and resources to the Town and which are owned or controlled by the Town. The reporting entity is comprised of the municipal operations of the Town and the High Level Municipal Library Board.

ii) Accounting for housing management bodies and school board transactions

Taxes levied include requisitions for the Alberta School Fund Foundation and the Mackenzie Housing Seniors Lodge. The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the Alberta School Fund Foundation and Mackenzie Housing Seniors Lodge are not reflected in these consolidated financial statements.

iii) Mackenzie Regional Waste Management Commission

The Town is a member of the Mackenzie Regional Waste Management Commission (the "Commission"). The Province of Alberta under Alberta Regulation 264/2003 established the Commission pursuant to the Municipal Government Act. The nature of the establishment and operation is such that profits or any other income of the Commission is retained by the Commission. All financial transactions with the Commission are recognized and recorded in the consolidated financial statements of the Town.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(a) Reporting entity (continued):

iv) Trust funds

Trust funds and their related operations administered by the Town are not included in these consolidated financial statements.

(b) Basis of accounting:

The Town follows the accrual basis of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers are recognized as revenue in the period in which events giving rise to the transfer occur, provided the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. A transfer with or without eligibility criteria but stipulation is recognized in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability.

(d) Tax revenue:

Tax revenues are recognized as assets and revenue when the taxable event occurs.

(e) Requisition over-levy and under-levy:

Over 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 or under-levies of the prior year.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(f) Prepaid local improvements charges:

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue as the expenses are incurred to complete the project.

(g) Deferred revenue:

Deferred revenue represents government transfers, contributions and other amounts received from third parties pursuant to legislation, regulation or agreement that 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. These amounts will be recognized as revenues in the fiscal year when the related expense is incurred, services performed or the tangible capital assets are acquired.

(h) Land held for resale:

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and levelling charges.

(i) Investments:

Investments are recorded at amortized cost. Premiums and discounts arising on the purchase of these investments are amortized over the term of the investments. When there has been a loss in value that is other than a temporary decline in value, 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 by legislation, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(j) 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 ordinary course of operations.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets excluding land, are amortized on a straight-line basis over the estimated useful life as follows:

Asset	Years
Land improvements	15-30
Buildings (includes building improvements)	15-50
Engineered structures	16-75
Machinery and equipment	5-20
Vehicles	10-20

One-half of the annual amortization is charged in the year of acquisition and 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) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

iv) Interest capitalization

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

v) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost, with cost determined on an average cost basis.

vi) 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.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Significant estimates include assumptions used in estimating the liability for contaminated sites, provisions for uncollectible accounts receivable, assumptions related to recording accrued liabilities, assumptions related to the carrying value of investments, estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from those estimates.

(l) Future accounting standard pronouncements:

The following summarizes upcoming changes to PSAS. In 2016, the Town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, Financial Statement Presentation, PS3450, Financial Instruments, PS2601, Foreign Currency Translation and PS3041, Portfolio Investments must be implemented at the same time. Related Party Disclosures PS2200 and Inter-Entity Transactions PS3420 also require concurrent adoption.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(I) Future accounting standard pronouncements:

i) Liability for Contaminated Sites

PS3260, Liability for Contaminated Sites, establishes standards on remediation, recognition, and measurement of liabilities associated with contaminated sites, and provides requirements for financial statement presentation and disclosure. The Town has begun the process of reviewing policies, procedures, and systems to ensure consistent and accurate identification and estimation of liabilities associated with contaminated sites. This standard was applicable for fiscal years beginning on or after April 1, 2014, however, the Town failed to adopt this standard in the current year.

ii) Introduction to Public Sector Accounting Standards

The Public Sector Accounting (PSA) Handbook was previously written primarily to address the financial reporting needs of governments in Canada. With the broadened scope of the PSA Handbook to include government organizations that previously reported under Part V of the CPA Handbook, it was necessary to update the introduction to clarify the applicability of the PSA Handbook to various public sector entities. The new introduction is applicable for fiscal years beginning on or after January 1, 2017.

iii) Assets

PS3210, Assets provides additional guidance on the definition of assets and new disclosure requirements for those assets not recognized in the government's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2017.

iv) Contingent Assets

PS3320, Contingent Assets establishes standards on the reporting and disclosure of possible assets that may arise from existing conditions or situations involving uncertainty. This standard is applicable for fiscal years beginning on or after April 1, 2017.

v) Contractual Rights

PS3380, Contractual Rights establishes standards on the reporting and disclosure of a government's rights to economic resources that may arise from contracts or agreements that will result in both an asset and revenue in the future. This standard is applicable for fiscal years beginning on or after April 1, 2017.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(i) Future accounting standard pronouncements (continued):

vi) Inter-entity Transactions

PS3420, Inter-Entity Transactions specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

vii) Related Party Disclosures

PS2200, Related Party Disclosures requires sufficient information be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party relationships have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

viii) Restructuring Transactions

PS3430, Restructuring Transactions establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard is applicable for fiscal years beginning on or after April 1, 2018.

ix) Financial Statement Presentation

PS1201, Financial Statement Presentation, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(i) Future accounting standard pronouncements (continued):

x) Portfolio Investments

PS3041, Portfolio Investments has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, Financial Instruments, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, Temporary Investments will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

xi) Financial Instruments

PS3450, Financial Instruments establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2019.

xii) Foreign Currency Translation

PS2601, Foreign Currency Translation, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2019.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

3. Accounts receivable:

	2015	2014
Property taxes receivable (net of allowance \$20,271; 2014 - \$19,469)	\$ 124,519	\$ 119,597
Government transfers receivable	739,683	441,853
Other receivables (net of allowance \$9,976; 2014 - \$7,014)	1,044,772	1,103,287
Local improvements (interest at rates ranging from 3.53% to 5.88% due over the periods through 2020)	37,832	45,702
	<hr/> \$ 1,946,806	<hr/> \$ 1,710,439

4. Investments:

	2015	2014		
	Amortized Cost	Market value	Amortized Cost	Market value
Short-term notes and deposits	\$ 187,120	\$ 187,120	\$ 218,769	\$ 218,769
Corporate, government and government guaranteed bonds	5,817,297	5,748,454	5,929,439	5,967,000
	<hr/> \$ 6,004,417	<hr/> \$ 5,935,574	<hr/> \$ 6,148,208	<hr/> \$ 6,185,769

Short-term notes and deposits have effective interest rates ranging from 0.65% to 1.80% (2014 - 1.05% to 1.80%) and mature in less than one year. Corporate, government and government guaranteed bonds have effective interest rates ranging from 2.58% to 10.22% (2014 - 3.04% to 10.22%) with maturity dates ranging from June 30, 2018 to May 20, 2022 (2014 - June 30, 2018 to October 18, 2024). The Town intends to hold these securities until maturity.

5. Operating line of credit:

The Town has established an operating line of credit up to \$3,000,000 (2014 - \$3,000,000). The Town had not drawn against this facility as at December 31, 2015. The operating line of credit is secured by borrowing bylaws. Outstanding amounts bear interest at the bank's prime lending rate plus 0.5%.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

6. Deferred revenue:

The deferred revenue reported on the consolidated statement of financial position is made up of the following:

	2015	2014
Provincial government transfers:		
Municipal Sustainability Initiative - Capital	\$ 310,296	\$ 13,077
Regional Collaboration Conditional Grant	63,342	117,756
Fire Smart Community Grant	33,425	50,000
Federal Gas Tax Fund	25,151	-
Alberta Municipal Infrastructure Program	1,289	135,647
Municipal Grant - Other	596	2,218
	<u>434,099</u>	<u>318,698</u>
Other deferred revenues:		
Prepaid deposits	37,241	34,450
Prepaid property taxes	22,487	15,338
	<u>59,728</u>	<u>49,788</u>
	<u><u>\$ 493,827</u></u>	<u><u>\$ 368,486</u></u>

Continuity of deferred revenue is as follows:

	2015	2014
Deferred government transfers:		
Deferred government transfers, beginning of year	\$ 318,698	\$ 950,102
Government transfers received during the year	3,863,382	2,075,638
Government transfers recognized during the year	<u>(3,747,981)</u>	<u>(2,707,042)</u>
Deferred government transfers, end of year	<u>434,099</u>	<u>318,698</u>
Other deferred revenues:		
Other deferred revenues, beginning of year	49,788	38,206
Other received during the year	(54,600)	30,157
Other recognized during the year	64,540	(18,575)
Other deferred revenues, end of year	<u>59,728</u>	<u>49,788</u>
Balance, end of year	<u><u>\$ 493,827</u></u>	<u><u>\$ 368,486</u></u>

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

7. Long-term debt:

	2015	2014
Alberta Capital Finance Authority debentures bearing interest at rates ranging from 3.84% to 5.75% (2014 - 3.84% to 6.50%) per annum and maturing in periods from 2016 through 2033 (2014 - 2015 through 2033)	\$ 3,941,426	\$ 4,469,374

Long-term debt is issued on the credit and security of the Town at large.

Principal and interest repayment requirements on long-term debt over the next five years and thereafter are as follows:

	Principal	Interest	Total
2016	\$ 379,623	\$ 178,272	\$ 557,895
2017	287,457	161,351	448,808
2018	301,507	147,301	448,808
2019	316,258	132,550	448,808
2020	331,745	117,063	448,808
Thereafter	2,324,836	496,603	2,821,439
	\$ 3,941,426	\$ 1,233,140	\$ 5,174,566

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

8. Debt and debt service limits:

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2015	2014
Total debt limit	\$ 16,230,026	\$ 15,620,805
Total debt	3,941,426	4,469,374
Amount by which debt limit unused	12,288,600	11,151,431
Percentage used (%)	24.28%	28.61%
Debt servicing limit	2,705,004	2,603,468
Debt servicing	557,895	733,826
Amount by which debt servicing limit unused	2,147,109	1,869,642
Percentage used (%)	20.62%	28.19%

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) 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 Town. Rather, the financial statements must be interpreted as a whole.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

9. Tangible capital assets:

	2015							
	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 5,554,731	\$ 5,281,337	\$ 19,842,145	\$ 146,465,633	\$ 6,645,071	\$ 3,610,038	\$ 7,166,212	\$ 194,565,167
Additions, net of transfers	- 2,686,519	-	383,441	4,624,189	670,825	-	(4,678,017)	3,686,957
Balance, end of year	5,554,731	7,967,856	20,225,586	151,089,822	7,315,896	3,610,038	2,488,195	198,252,124
Accumulated amortization:								
Balance, beginning of year	- 3,911,608	- 159,036	5,876,009	59,832,912	3,545,084	1,700,231	-	74,865,844
Amortization	-	-	555,473	3,406,410	390,886	184,250	-	4,696,055
Balance, end of year	- 4,070,644	6,431,482	63,239,322	3,935,970	1,884,481	-	-	79,561,899
Net book value, end of year	\$ 5,554,731	\$ 3,897,212	\$ 13,794,104	\$ 87,850,500	\$ 3,379,926	\$ 1,725,557	\$ 2,488,195	\$ 118,690,225

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

9. Tangible capital assets (continued):

	2014							
	Land	Improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Assets under construction	Total
Cost:								
Balance, beginning of year	\$ 4,691,248	\$ 5,281,337	\$ 19,718,962	\$ 144,670,368	\$ 6,220,220	\$ 3,295,155	\$ 5,542,221	\$ 189,419,511
Additions, net of transfers	879,657	-	123,183	1,795,265	424,851	314,883	1,623,991	5,161,830
Disposals (16,174)	(16,174)	-	-	-	-	-	-	(16,174)
Balance, end of year	5,554,731	5,281,337	19,842,145	146,465,633	6,645,071	3,610,038	7,166,212	194,565,167
Accumulated amortization:								
Balance, beginning of year	-	3,709,402	5,324,287	56,485,889	3,171,679	1,526,199	-	70,217,456
Amortization	-	202,206	551,722	3,347,023	373,405	174,032	-	4,648,388
Balance, end of year	3,911,608	5,876,009	59,832,912	3,545,084	1,700,231	-	-	74,865,844
Net book value, end of year	\$ 5,554,731	\$ 1,369,729	\$ 13,966,136	\$ 86,632,721	\$ 3,099,987	\$ 1,909,807	\$ 7,166,212	\$ 119,699,323

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

9. Tangible capital assets (continued):

a) Assets under construction

Assets under construction having a value of \$2,488,195 (2014 - \$7,166,212) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

b) Contributed tangible capital assets

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. There were no contributed assets received during the year (2014 - \$nil).

c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

10. Accumulated surplus:

The Town's accumulated surplus is comprised of the following:

	2015	2014
Operating reserves:		
General reserve	\$ 1,948,762	\$ 1,861,423
Capital reserves:		
Airport	15,850	52,257
Fire equipment	163,575	204,176
Future development	418,456	420,204
Municipal recreation	37,295	37,295
Offsite levy	97,502	97,502
Parking lot	38,448	38,448
Tourism improvement fee	518,559	474,314
Utility distribution	2,932,471	3,146,754
	<hr/> 4,222,156	<hr/> 4,470,950
Total reserves	6,170,918	6,332,373
Invested in tangible capital assets	114,748,799	115,229,949
Unrestricted surplus	619,985	658,675
	<hr/> \$ 121,539,702	<hr/> \$ 122,220,997

11. Contingent liabilities:

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the Town 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. There has been no change to the Town's contingent liabilities in 2015.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

12. Environmental matters:

During 2010, the Town had an independent study performed on two previously closed landfill sites that were operated by the province of Alberta prior to their transfer to the Town. The results of this study concluded that remediation of these sites would be required in the event that the Town developed or disposed of these sites. The estimated cost to remediate these sites is approximately \$3.1 million. In 2011, the Town received a letter from Alberta Environment stating that it did not have the funding available to reclaim these two sites to acceptable standards. However, Alberta Environment encouraged the Town to work with them to implement best practices and environmentally safe approaches to manage the former landfill sites. The Town is attempting to clarify with the Province their responsibility, if any, with respect to these sites, if they were to remain in their current state. At present, the Town has no plans to develop or dispose of these sites. Accordingly, no liability has been recorded in these consolidated financial statements.

The Town will consider this in their overall assessment of the impact of the implementation of PS3260 Liability for Contaminated Sites for the year ended December 31, 2016.

13. Net municipal taxes:

Taxation revenue reported on the consolidated statement of operations and accumulated surplus is made up of the following:

	Budget	2015	2014
(Note 21)			
Taxation			
Real property taxes	\$ 5,618,886	\$ 5,638,933	\$ 5,374,585
Linear property taxes	246,074	238,971	232,000
Government grants in place of property taxes	140,244	82,450	132,224
Special assessments and local improvement taxes	-	-	49,485
	<u>6,005,204</u>	<u>5,960,354</u>	<u>5,788,294</u>
Requisitions			
Alberta School Foundation Fund	1,249,408	1,266,294	1,245,460
Mackenzie Housing Seniors Lodge	97,528	143,747	143,900
	<u>1,346,936</u>	<u>1,410,041</u>	<u>1,389,360</u>
Net municipal taxes	\$ 4,658,268	\$ 4,550,313	\$ 4,398,934

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

14. Government transfers:

	Budget	2015	2014
(Note 21)			
Transfers for operating			
Provincial government	\$ 254,499	\$ 304,954	\$ 270,422
Federal government	40,750	38,250	40,750
Other local government	533,000	534,741	532,493
	828,249	877,945	843,665
Transfers for capital			
Provincial government	1,673,956	1,843,930	1,591,520
Federal government	-	243,200	-
Other local government	578,400	782,906	271,857
	2,252,356	2,870,036	1,863,377
Total government transfers	\$ 3,080,605	\$ 3,747,981	\$ 2,707,042

15. Expenses by object:

	Budget	2015	2014
(Note 21)			
Salaries, wages and benefits			
Contracted and general services	\$ 4,859,209	\$ 4,343,278	\$ 4,029,417
Materials, goods and utilities	3,210,790	2,969,571	2,678,070
Provision for (recovery on) allowances	2,225,721	2,108,885	2,005,206
Transfers to local boards and agencies	5,000	14,054	(8,348)
Bank charges and short-term interest	111,350	69,468	76,820
Interest on long-term debt	19,011	18,532	17,520
Amortization of tangible capital assets	205,880	196,465	225,769
Loss on disposal of tangible capital assets	4,571,459	4,696,055	4,648,388
Loss (gain) on disposal of investments	-	(44,960)	61,503
	\$ 15,208,420	\$ 14,371,348	\$ 13,740,017

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

16. Salary and benefits disclosure:

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:

	Salary	Benefits	2015 Total	2014 Total
Mayor - McAtee	\$ 35,170	\$ 83	\$ 35,253	\$ 34,183
Deputy Mayor - Macleod	17,550	83	17,633	20,683
Councillor - Forest	18,050	83	18,133	17,633
Councillor - Chandler	14,953	83	15,036	16,783
Councillor - Morgan	15,650	83	15,733	14,483
Councillor - Milton	16,750	83	16,833	13,233
Councillor - Rapke	13,950	83	14,033	15,033
Chief Administrative Officer ¹	40,184	3,591	43,775	-
Chief Administrative Officer ²	64,813	-	64,813	53,301
Chief Administrative Officer ³	55,794	7,097	62,891	116,434
Designated Officers (3 positions)	233,779	24,905	258,684	173,618
	\$ 526,643	\$ 36,174	\$ 562,817	\$ 475,384

¹CAO in April 2015, from October 2015 – present

²CAO from May 2015 – October 2015

³CAO from March 2014 – April 2015

Salary includes regular base pay, lump sum payments, gross honoraria and any other direct cash remuneration.

Employer's share of employee benefits and contributions made on behalf of the employees includes RSP amounts, health care including vision care, dental coverage, and directors' liability, group life insurance, accidental disability and dismemberment insurance and life insurance.

Benefits and allowance figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, travel allowances and car allowances.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

17. Transactions with Mackenzie Regional Waste Management Commission:

	2015	2014
Included in accounts payable:		
Due to Mackenzie Regional Waste Management Commission	\$ 12,093	\$ 10,830
Revenue and expense transactions:		
Contracted and general services expense	78,680	79,691

18. Financial instruments:

The Town's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, wages and benefits payable and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments. The Town is subject to credit risk with respect to taxes and grants in place of tax receivables, trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. Unless otherwise noted, the carrying value of financial instruments approximates their fair value.

19. Segmented information:

Segmented information has been identified based upon lines of service provided by the Town. Town services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

i) Protective Services:

Protective Services include fire, law enforcement and health and safety. The Fire Department is responsible to provide fire suppression services, fire prevention programs, motor vehicle accident response training and education related to prevention. Town peace officers enforce the Town's by-laws and some provincial statutes.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

19. Segmented information (continued):

ii) Public Works and Transportation:

The Public Works department is responsible for the delivery of municipal public works services related to transportation, including maintenance of roadway pedestrian systems, the High Level Airport and the maintenance of parks and open spaces.

iii) Water and Waste Management:

The Town is responsible for environmental programs such as the engineering and operation of water and wastewater systems and waste management, the latter of which encompasses solid waste collection disposal and recycling.

iv) Planning and Development:

The Planning and Development department manages all aspects of land use planning including long range forecasting and planning, processing development permits and compliance certificates. The department is also responsible for corporate mapping functions.

(v) Community Services:

The Community Services department provides public services that sustains and supports individuals, families and communities. This includes programs run through Family and Community Support Services, the R.E. Walter Memorial Aquatics Center, High Level Sports Complex, recreation programs and the Town's outdoor baseball diamonds, playgrounds and parks.

vi) Culture and Library:

As part of community services, the Town operates and maintains the Museum and Visitor's Centre and supports the Library.

Certain allocation methodologies are employed in the preparation of segmented financial information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segments' budgeted net expenditure. User charges and other revenue are allocated to the segments based upon the segment that generated the revenue. Government transfers are allocated to segments based upon the purpose for which the transfers were made. Development levies earned and developer contributions received are allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

19. Segmented information (continued):

		Protective Services	Public Works and Transportation	Water and Waste Management	Planning and Development	Community Services	Culture and Library	Other Municipal	Total
Revenue:									
Net municipal taxes	\$ 692,114	\$ 2,531,373	\$ -	\$ 121,102	\$ 861,675	\$ 276,108	\$ 67,941	\$ 4,550,313	
User fees and sales of goods	186,880	697,887	2,089,198	41,299	280,444	50,488	1,214,646	4,560,842	
Government transfers	54,825	-	-	-	153,588	39,756	629,776	877,945	119,635
Investment income	-	-	-	-	-	1,413	118,222	-	
Penalties and costs of taxes	-	-	-	-	-	-	-	39,496	39,496
Other	217,232	26,764	400	93,048	47,790	167,237	119,315	671,786	
Total revenues	1,151,051	3,256,024	2,089,598	255,449	1,343,497	535,002	2,189,396	10,820,017	
Expenses:									
Salaries, wages and benefits	655,585	1,021,619	547,961	65,037	989,546	268,882	784,648	4,343,278	
Contracted and general services	439,521	510,228	581,491	133,113	402,668	125,378	777,172	2,969,571	
Materials, goods and utilities	148,734	841,180	557,347	1,966	316,548	109,244	133,866	2,108,885	
Provision for allowances	-	-	2,209	-	-	-	11,845	14,054	
Transfers to local boards and agencies	2,142	-	-	28,000	-	39,326	-	69,468	
Interest on long-term debt and other charges	10,798	25,980	143,606	25,074	232,945	9,315	25,298	214,997	
Amortization	185,916	2,728,028	1,227,458	-	21,204	275,430	4,696,055	(44,960)	
Loss on disposal of investments	-	-	-	-	-	-	-	(44,960)	
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	
Total expenses	1,452,696	5,127,035	3,060,072	253,190	1,941,707	573,349	1,963,299	14,371,348	
Annual surplus (deficit) before other	(301,645)	(1,871,011)	(970,474)	2,259	(598,210)	(38,347)	226,097	(3,551,331)	
Other									
Government transfers for capital obligations	1,273,601	1,249,220	111,217	-	235,998	-	-	2,870,036	
Annual surplus (deficit)	\$ 971,956	\$ (621,791)	\$ (859,257)	\$ 2,259	\$ (362,212)	\$ (38,347)	\$ 226,097	\$ (681,295)	

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

19. Segmented information (continued):

	2014							
	Protective Services	Public Works and Transportation	Water and Waste Management	Planning and Development	Community Services	Culture and Library	Other Municipal	Total
Revenue:								
Net municipal taxes	\$ 463,588	\$ 2,451,543	\$ -	\$ 319,842	\$ 829,533	\$ 220,792	\$ 113,636	\$ 4,398,934
User fees and sales of goods	180,350	567,162	2,075,827	32,150	281,374 89,036	68,346 949	1,185,943 600,608 257,643	4,391,152 843,665 258,592
Government transfers	114,949	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Penalties and costs of taxes	-	-	-	-	-	-	-	-
Other	80,328	35,796	630	105,801	40,239	196,871	107,957	61,982 567,622
Total revenues	839,215	3,054,501	2,076,457	457,793	1,240,182	526,030	2,327,769	10,521,947
Expenses:								
Salaries, wages and benefits	414,085	978,096	503,194	145,106	931,958	261,586	795,392	4,029,417
Contracted and general services	372,201	410,609	344,755	400,945	366,976	64,406	718,178	2,678,070
Materials, goods and utilities	161,961	775,496	472,472	2,632	367,886	120,702	104,057	2,005,206
Provision for allowances (recovery)	-	-	(1,061)	-	-	-	(7,287)	(8,348)
Transfers to local boards and agencies	1,980	-	-	41,815	-	33,025	-	76,820
Interest on long-term debt and other charges	12,331	37,610	154,972	24,088	214,178	9,681 20,082	28,695 287,273	243,289 4,648,388
Amortization	176,939	2,829,634	1,096,194	-	-	-	61,503	61,503
Loss on disposal of investments	-	-	-	-	-	-	5,672	5,672
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-
Total expenses	1,139,497	5,031,445	2,570,526	614,586	1,880,998	509,482	1,993,483	13,740,017
Annual surplus (deficit) before other	(300,282)	(1,976,944)	(494,069)	(156,793)	(640,816)	16,548	334,286	(3,218,070)
Other								
Government transfers for capital obligations	85,000	732,119	640,829	218,511	186,858	-	-	1,863,377
Annual surplus (deficit)	\$ (215,282)	\$ (1,244,765)	\$ 146,760	\$ 61,718	\$ (453,958)	\$ 16,548	\$ 334,286	\$ (1,354,693)

TOWN OF HIGH LEVEL

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2015

20. Comparative information:

Certain comparative information have been reclassified to conform to the 2015 consolidated financial statement presentation.

21. Budget:

The budget data presented in the consolidated financial statements of the Town includes the 2015 operating and capital budgets of \$(4,715,300) and 2,252,356 respectively which were approved by Council on December 8, 2014.

	Original budget	Approved changes	Budget
Total revenues	\$ 10,493,120	\$ -	\$ 10,493,120
<u>Total expenses</u>	<u>15,208,420</u>	<u>-</u>	<u>15,208,420</u>
Annual deficit before other	(4,715,300)	-	(4,715,300)
Other:			
Government transfers - capital	2,252,356	335,505	2,587,861
Contributions of tangible capital assets	-	-	-
<u>Annual deficit</u>	<u>\$ (2,462,944)</u>	<u>\$ 335,505</u>	<u>\$ (2,127,439)</u>

Additional unplanned government transfers for capital expenditures were approved by Council in the amount of \$335,505. The transfers largely relate to the purchase of equipment for the Town airport.