

SMOKY LAKE COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Smoky Lake County is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this financial report. Management believes that the consolidated financial statements present fairly the County's financial position as at December 31, 2021 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The County Council carries out its responsibilities for review of the consolidated financial statements. They meet regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to council with and without the presence of management. The County Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by JMD Group LLP, Chartered Professional Accountants, independent external auditors appointed by the County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.

Gene Sobolewski, CAO

March 24, 2022

INDEPENDENT AUDITOR'S REPORT

To the Council of Smoky Lake County

Opinion

We have audited the consolidated financial statements of Smoky Lake County (the municipality), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in net financial assets and cash flows and schedules 1 to 6 for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the municipality as at December 31, 2021, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the municipality to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	2021	2020
Financial assets		
Cash <i>(Note 2)</i>	\$ 19,614,278	\$ 20,121,392
Taxes and grants in place receivable <i>(Note 3)</i>	621,275	520,590
Receivables from other governments	2,421,153	1,427,404
Trade and other receivables	1,361,339	1,062,773
Investment in Gas Alberta Inc. <i>(Note 4)</i>	67,983	67,983
	24,086,028	23,200,142
Liabilities		
Accounts payable and accrued liabilities	2,805,179	1,342,248
Employee obligations <i>(Note 5)</i>	1,368,257	1,369,065
Deposits liabilities	329,175	231,615
Deferred revenue <i>(Note 6)</i>	2,132,220	2,013,468
Tax sale surplus	10,122	10,069
Landfill closure and post-closure liability <i>(Note 7)</i>	318,654	286,688
	6,963,607	5,253,153
Net financial assets	17,122,421	17,946,989
Non-financial assets		
Tangible capital assets <i>(Schedule 2)</i>	37,683,526	36,940,936
Inventory <i>(Note 8)</i>	3,675,856	3,520,433
Prepaid expenses	213,626	247,329
	41,573,008	40,708,698
Accumulated surplus <i>(Schedule 1, Note 9)</i>	\$ 58,695,429	\$ 58,655,687

APPROVED BY:

Reeve

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Revenues			
Net municipal taxes (<i>Schedule 3</i>)	\$ 9,608,731	\$ 9,609,459	\$ 9,699,792
Sales of goods and services	852,428	856,506	789,708
Government transfers for operating (<i>Schedule 4</i>)	398,952	903,683	776,175
Investment income	292,500	139,911	229,358
Penalties and costs of taxes	74,095	217,247	249,046
Licenses and permits	72,830	76,412	108,636
Special levies and taxes	209,040	142,490	219,076
Insurance recoveries	79,560	64,330	79,568
Rentals and leases	51,550	51,522	43,137
Gain on sale of investment	-	-	1,622,480
Natural gas	2,683,744	3,437,998	2,694,526
	<u>14,323,430</u>	<u>15,499,558</u>	<u>16,511,502</u>
Expenses			
Legislative	512,218	475,990	456,661
Administration	2,522,148	2,241,550	2,297,356
Protective services	953,872	944,084	893,217
Transportation	8,222,284	7,549,022	7,057,639
Water and wastewater	572,524	595,267	574,660
Landfill	693,563	542,296	469,034
Further education	125,700	112,843	114,048
Agricultural services	876,992	808,014	655,000
Municipal planning, community and economic development	1,123,682	576,877	729,407
Recreation and culture	463,378	347,197	391,358
Natural gas	2,688,244	3,530,172	2,730,596
	<u>18,754,605</u>	<u>17,723,312</u>	<u>16,368,976</u>
Excess (deficiency) of revenues over expenses before other	(4,431,175)	(2,223,754)	142,526
Other			
Gain (loss) on disposal of tangible capital assets	205,000	(97,570)	(12,220)
Government transfers for capital (<i>Schedule 4</i>)	3,455,375	2,361,066	868,521
	<u>(770,800)</u>	<u>39,742</u>	<u>998,827</u>
Excess (deficiency) of revenues over expenses	(770,800)	39,742	998,827
Accumulated surplus, beginning of year	<u>58,655,687</u>	<u>58,655,687</u>	<u>57,656,860</u>
Accumulated surplus, end of year	<u>\$ 57,884,887</u>	<u>\$ 58,695,429</u>	<u>\$ 58,655,687</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Excess (deficiency) of revenues over expenses	\$ (770,800)	\$ 39,742	\$ 998,827
Acquisition of tangible capital assets	(4,008,713)	(3,203,812)	(699,026)
Amortization of tangible capital assets	2,289,800	2,291,363	2,332,353
Proceeds on disposal of tangible capital assets	-	72,289	9,200
Loss (gain) on disposal of assets	(205,000)	97,570	12,220
	<u>(1,923,913)</u>	<u>(742,590)</u>	1,654,747
Decrease (increase) in prepaid expenses	-	33,703	(15,546)
Decrease (increase) in inventory	-	(155,423)	(551,658)
	<u>(1,923,913)</u>	<u>(864,310)</u>	1,087,543
Increase (decrease) in net financial assets	(2,694,713)	(824,568)	2,086,370
Net financial assets, beginning of year	17,946,988	17,946,989	15,860,619
Net financial assets, end of year	<u>\$ 15,252,275</u>	<u>\$ 17,122,421</u>	<u>\$ 17,946,989</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 39,742	\$ 998,827
Items not affecting cash:		
Amortization of tangible capital assets	2,291,363	2,332,353
Loss on disposal of tangible capital assets	97,570	12,220
Gain on sale of investment	-	(1,622,480)
	<u>2,428,675</u>	<u>1,720,920</u>
Non-cash charges to operations (net change):		
Taxes and grants in place receivable	(100,685)	169,764
Receivables from other governments	(993,749)	(284,644)
Trade and other receivables	(298,566)	(83,965)
Inventory	(155,423)	(551,658)
Prepaid expenses	33,703	(15,546)
Accounts payable and accrued liabilities	1,462,931	351,742
Employee obligations	(808)	63,994
Deposits liabilities	97,560	(37,780)
Deferred revenue	118,752	896,109
Tax sale surplus	53	5,762
Landfill closure and post-closure liability	31,966	23,188
	<u>195,734</u>	<u>536,966</u>
Net cash from operations	<u>2,624,409</u>	<u>2,257,886</u>
Capital		
Acquisition of tangible capital assets	(3,203,812)	(699,026)
Proceeds on disposal of tangible capital assets	72,289	9,200
	<u>(3,131,523)</u>	<u>(689,826)</u>
Investing		
Increase in restricted cash	(169,379)	(700,666)
Proceeds from sale of CCI	-	2,722,373
	<u>(169,379)</u>	<u>2,021,707</u>
Change in cash during the year	(676,493)	3,589,767
Cash, beginning of year	19,198,560	15,608,793
Cash, end of year	\$ 18,522,067	\$ 19,198,560
Cash is made up of:		
Cash	\$ 19,614,278	\$ 20,121,392
Less restricted cash	(1,092,211)	(922,832)
	<u>\$ 18,522,067</u>	<u>\$ 19,198,560</u>

SMOKY LAKE COUNTY
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2021	2020
Balance, beginning of year	\$ 6,313,997	\$ 15,400,754	\$ 36,940,936	\$ 58,655,687	\$ 57,656,860
Excess of revenues over expenses	39,742	-	-	39,742	998,827
Funds used for tangible capital assets	(2,361,066)	(842,746)	3,203,812	-	-
Annual amortization expense	2,291,363	-	(2,291,363)	-	-
Disposals of tangible capital assets	169,859	-	(169,859)	-	-
Funds designated for future use	(452,258)	452,258	-	-	-
Change in accumulated surplus	(312,360)	(390,488)	742,590	39,742	998,827
Balance, end of year	\$ 6,001,637	\$ 15,010,266	\$ 37,683,526	\$ 58,695,429	\$ 58,655,687

SMOKY LAKE COUNTY
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2021	2020
Cost								
Balance, beginning of year	\$ 5,144,068	\$ 1,459,980	\$ 4,815,100	\$ 50,435,301	\$ 12,166,225	\$ 6,032,568	\$ 80,053,242	\$ 79,383,036
Acquisition of tangible capital assets	174,876	9,050	26,142	782,046	967,590	879,962	2,839,666	755,868
Construction in-progress	-	-	252,272	(104,025)	215,899	-	364,146	(56,842)
Disposal of tangible capital assets	-	-	-	-	(156,048)	(477,652)	(633,700)	(28,820)
Balance, end of year	5,318,944	1,469,030	5,093,514	51,113,322	13,193,666	6,434,878	82,623,354	80,053,242
Accumulated amortization								
Balance, beginning of year	-	947,759	1,587,100	30,201,515	6,284,220	4,091,712	43,112,306	40,787,353
Annual amortization	-	53,253	89,632	1,170,662	684,728	293,088	2,291,363	2,332,353
Accumulated amortization on disposals	-	-	-	-	(129,923)	(333,918)	(463,841)	(7,400)
Balance, end of year	-	1,001,012	1,676,732	31,372,177	6,839,025	4,050,882	44,939,828	43,112,306
Net book value of tangible capital assets	\$ 5,318,944	\$ 468,018	\$ 3,416,782	\$ 19,741,145	\$ 6,354,641	\$ 2,383,996	\$ 37,683,526	\$ 36,940,936
2020 Net book value of tangible capital assets	\$ 5,144,068	\$ 512,221	\$ 3,228,000	\$ 20,233,786	\$ 5,882,005	\$ 1,940,856	\$ 36,940,936	

SMOKY LAKE COUNTY
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Taxation			
Residential and farmland	\$ 3,695,180	\$ 3,707,474	\$ 3,514,675
Non-residential	949,892	943,604	1,004,719
Machinery and equipment	1,088,485	1,082,114	1,232,012
Linear property	6,289,094	6,288,683	6,382,279
Grants in place	66,395	66,395	33,169
	<u>12,089,046</u>	<u>12,088,270</u>	<u>12,166,854</u>
Requisitions			
Alberta School Foundation Fund	1,989,191	1,987,085	1,960,283
Smoky Lake Foundation	468,251	468,927	482,894
Designated Industrial Property	22,873	22,799	23,885
	<u>2,480,315</u>	<u>2,478,811</u>	<u>2,467,062</u>
Net municipal taxes	<u>\$ 9,608,731</u>	<u>\$ 9,609,459</u>	<u>\$ 9,699,792</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Transfers for operations			
Federal grants	\$ (3,000)	\$ (70,725)	\$ (16,800)
Provincial	(329,008)	(733,007)	(655,746)
Local governments	(66,944)	(99,951)	(103,628)
	<u>(398,952)</u>	<u>(903,683)</u>	<u>(776,174)</u>
Transfers for capital			
Provincial	(3,455,375)	(2,361,066)	(830,083)
Local governments	-	-	(38,438)
	<u>(3,455,375)</u>	<u>(2,361,066)</u>	<u>(868,521)</u>
Total government transfers	<u>\$ (3,854,327)</u>	<u>\$ (3,264,749)</u>	<u>\$ (1,644,695)</u>

SMOKY LAKE COUNTY
SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget (Unaudited)	2021	2020
Expenses			
Salaries, wages and benefits	\$ 7,950,124	\$ 7,243,309	\$ 7,233,796
Contracted and general services	2,746,830	2,444,053	2,349,376
Purchases from other governments	211,521	212,750	194,968
Materials, goods, supplies and utilities	2,782,204	2,846,310	2,222,953
Provision for allowances and bad debts	200,000	249,747	401,271
Transfers to other governments	52,000	61,582	62,877
Transfers to individuals and organizations	1,400,536	310,057	291,461
Bank charges and short-term interest	6,150	5,260	3,790
Tax adjustments	3,000	116,631	15,058
Natural gas purchases	1,112,440	1,942,250	1,261,073
Amortization of tangible capital assets	2,289,800	2,291,363	2,332,353
Total expenses	\$ 18,754,605	\$ 17,723,312	\$ 16,368,976

SMOKY LAKE COUNTY
SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Government	Protective Services	Transportation Services	Environmental Services	Planning, Community Services	Agriculture	Recreation and Culture	Gas	2021
Revenues									
Net municipal taxes	\$ 9,609,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,609,459
Government transfers for operating	229,150	124,811	-	-	264,711	156,284	128,727	-	903,683
User fees and sales of goods	95,415	1,900	251,984	295,336	-	-	-	3,418,110	4,062,745
Investment income	121,511	-	-	-	-	-	-	18,400	139,911
Other operating revenues	379,412	134,222	140,203	2,508	66,312	-	41,215	19,888	783,760
Government transfers for capital	304,690	-	1,941,376	-	-	115,000	-	-	2,361,066
	<u>10,739,637</u>	<u>260,933</u>	<u>2,333,563</u>	<u>297,844</u>	<u>331,023</u>	<u>271,284</u>	<u>169,942</u>	<u>3,456,398</u>	<u>17,860,624</u>
Expenses									
Salaries, wages and benefits	1,400,827	306,738	3,140,429	550,802	304,434	490,143	104,174	945,763	7,243,310
Contracted and general services	721,652	412,276	704,271	225,058	240,264	102,031	32,992	218,259	2,656,803
Goods and supplies	118,352	109,990	2,121,537	117,696	311	154,861	55,007	2,110,805	4,788,559
Transfers to others	59,158	-	-	61,582	144,711	-	106,188	-	371,639
Other expenses	356,324	-	-	2,309	-	-	-	13,005	371,638
Loss (gain) on disposal of assets	(705)	-	(17,300)	132,983	-	(708)	(3,200)	(13,500)	97,570
	<u>2,655,608</u>	<u>829,004</u>	<u>5,948,937</u>	<u>1,090,430</u>	<u>689,720</u>	<u>746,327</u>	<u>295,161</u>	<u>3,274,332</u>	<u>15,529,519</u>
Net revenue before amortization	8,084,029	(568,071)	(3,615,374)	(792,586)	(358,697)	(475,043)	(125,219)	182,066	2,331,105
Amortization expense	(61,227)	(115,142)	(1,582,785)	(180,213)	-	(60,819)	(48,837)	(242,340)	(2,291,363)
Excess (deficiency) of revenues over expenses	\$ 8,022,802	\$ (683,213)	\$ (5,198,159)	\$ (972,799)	\$ (358,697)	\$ (535,862)	\$ (174,056)	\$ (60,274)	\$ 39,742

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Significant Accounting Policies

The consolidated financial statements are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the county are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the county and are, therefore, accountable to the county Council for the administration of their financial affairs and resources.

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

The statements exclude trust assets that are administered for the benefit of external parties.

Interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

Measurement Uncertainty

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, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates include allowance for uncollectable receivables, provision for amortization of tangible capital assets, and payables. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the period in which they become known.

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SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Significant Accounting Policies (continued)

Cash

Cash is defined as petty cash and cash in chequing and savings accounts adjusted for outstanding cheques and deposits.

Investments

Investments are recorded at amortized cost.

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.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Government Transfers

Government transfers are the transfer of assets from other governments that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the county is required to fund the closure of its landfill sites and provide for post-closure care of the facilities. 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 sites based on usage.

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

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SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Significant Accounting Policies (continued)

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

1. Tangible Capital Assets

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

	<u>Years</u>
Land improvements	10-25
Buildings	50
Engineered structures	
Roadway system	15
Water system	18-40
Wastewater system	18-40
Bridges	50-150
Gas distribution system	40-50
Machinery and equipment	20-30
Vehicles	10-20

One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

2. 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.

3. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

2. Cash

	2021	2020
Petty cash	\$ 850	\$ 850
Current accounts	1,025,209	1,663,159
Savings accounts	18,578,097	18,447,314
Trust account	10,122	10,069
	\$ 19,614,278	\$ 20,121,392

Council has designated \$15,010,264 (2020 - \$15,400,753) to fund the reserves.

Included in cash is a restricted amount of \$1,092,211 (2020 - \$922,832) comprised of deferred grants received and not expended (see Note 6).

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. Taxes and Grants in Place Receivable

	2021	2020
Current	\$ 543,720	\$ 333,445
Arrears	1,653,299	1,473,974
Less allowance for doubtful accounts	(1,575,744)	(1,286,829)
	\$ 621,275	\$ 520,590

4. Investment in Gas Alberta Inc.

The shareholders of Gas Alberta Inc. are predominantly made up of members of the Federation of Alberta Gas Co-ops.

	2021	2020
<u>The county's investment consists of</u>		
Class A common shares	\$ 483	\$ 483
Loan receivable	67,500	67,500
	\$ 67,983	\$ 67,983

The loan is non-interest bearing and is secured by a debenture. The loan is due upon the expiration of the contract and may be repaid earlier at Gas Alberta Inc.'s option or in the event the county no longer holds any of the Class A common shares.

5. Employee Obligations

	2021	2020
Accrued holiday pay	\$ 482,775	\$ 442,495
Accrued retirement benefits	82,555	108,103
Accrued wages	83,635	76,936
Accrued sick leave	719,292	741,531
	\$ 1,368,257	\$ 1,369,065

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. Deferred Revenue

	<u>2021</u>	<u>2020</u>
Federal Gas Tax Fund	\$ 613,784	\$ 551,971
MSI Capital	1,040,009	1,176,721
Municipal Stimulus Program	292,537	-
Municipal Operating Support Transfer	-	163,219
ACP-Intermunicipal Collaboration-GIS	74,805	74,805
ACP-Intermunicipal Collaboration-Regional Fire	66,578	-
Family and Community Support Services	23,327	7,783
Advanced Education	21,180	20,793
Natural gas sales	-	18,176
	<u>\$ 2,132,220</u>	<u>\$ 2,013,468</u>

Unexpended funding in the amount of \$2,132,220 (2020 - \$1,995,292) was allocated to the county in the current year from various federal and provincial government programs and local governments. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements. Of these allocations, funds received and unexpended are supported by funds in savings accounts of \$1,092,211 (2020 - \$922,832) and the remaining deferred grants are supported by receivables from other governments.

7. Landfill Closure and Post-Closure Liability

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.

The estimated total liability is based on an engineering assessment dated November 27, 2017 adjusted for inflation at 2%.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 135,000 cubic metres. The estimated remaining capacity of the landfill site is 84,000 cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2049.

The municipality has designated some assets for settling closure and post-closure liabilities.

	<u>2021</u>	<u>2020</u>
Estimated closure costs	\$ 424,150	\$ 406,500
Estimated post-closure costs	414,412	399,000
Estimated total liability	838,562	805,500
Amount accrued to December 31, 38% (2020 36%)	<u>(318,654)</u>	<u>(286,688)</u>
Balance of total liability remaining to be recognized	<u>\$ 519,908</u>	<u>\$ 518,812</u>

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

8. Inventory

	2021	2020
Public works	\$ 616,610	\$ 710,149
Gravel (valued at crushing cost)	2,895,206	2,623,477
A.S.B.	46,315	72,409
	3,558,131	3,406,035
Gas utility	117,725	114,398
	\$ 3,675,856	\$ 3,520,433

9. Accumulated Surplus

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

	2021	2020
Unrestricted surplus	\$ 6,001,637	\$ 6,313,997
Restricted surplus		
Municipal reserve	47,295	41,761
Fire	1,342,334	1,365,612
Road development	1,623,575	1,604,633
Building	1,197,539	1,197,539
Transportation	1,224,496	1,349,496
Gravel pit reclamation	462,922	456,537
Gravel pit development	107,874	99,746
Connectivity	476,523	476,523
Street sweeper	61,060	55,265
Regional waterline	261,233	261,233
Regional landfill	249,160	613,207
Economic development	59,223	59,223
General capital	3,461,875	3,283,111
	10,575,109	10,863,886
Municipal general	2,354,858	2,507,750
Gas utility	2,080,299	2,029,118
	15,010,266	15,400,754
Total restricted		
	37,683,526	36,940,936
Equity in tangible capital assets	\$ 58,695,429	\$ 58,655,687

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

10. Contingent Liabilities

Evergreen Regional Waste Management Services Commission

Smoky Lake County is a member of the Evergreen Regional Waste Management Services Commission. Each participating municipality funds a portion of the Commission's deficit based on their proportionate tippage for the year. The expense is accounted for as a current transaction in the year the county is invoiced.

Highway 28/63 Regional Water Services Commission

Smoky Lake County is a member of Highway 28/63 Regional Water Services Commission. Each participating municipality is responsible for their proportionate share of any unfunded deficit. The expense is accounted for as a current transaction in the year the county is invoiced.

11. Commitments

Council has agreed to provide funding of \$445,000 towards the construction of a new school in the Town of Smoky Lake.

In 2020 Council committed a \$600,000 contribution, towards a Municipal Controlled Corporation with the Town of Smoky Lake, to further economic development.

12. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Smoky Lake County be disclosed as follows:

	2021	2020
Total debt limit	\$ 23,249,337	\$ 24,824,910
Total debt	-	-
Debt limit remaining	\$ 23,249,337	\$ 24,824,910
Debt servicing limit	\$ 3,874,889	\$ 4,137,485
Debt servicing	-	-
Debt service limit remaining	\$ 3,874,889	\$ 4,137,485

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.

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

13. Salary and Benefits Disclosure

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

	Salary (1)	Benefits & Allow. (2)	Expenses (3)	2021
<u>Council</u>				
Reeve - Lukinuk	\$ 64,896	\$ 10,611	\$ 6,891	\$ 82,398
Reeve - Halisky	69,573	14,437	11,994	96,004
Councillor - Orichowski	59,362	12,371	7,410	79,143
Councillor - Gawalko	68,466	11,150	14,093	93,709
Councillor - Cherniwchan	56,594	9,692	7,197	73,483
Councillor - Fenerty	11,319	2,110	4,711	18,140
Councillor - Cere	11,319	2,729	5,302	19,350
Councillor - Serben	11,319	2,729	4,273	18,321
	<u>\$ 352,848</u>	<u>\$ 65,829</u>	<u>\$ 61,871</u>	<u>\$ 480,548</u>
<u>Others</u>				
CAO - Sobolewski	\$ 160,467	\$ 30,400	\$ 2,915	\$ 193,782
Designated officers (3)	271,413	32,761	4,011	308,185
	<u>\$ 431,880</u>	<u>\$ 63,161</u>	<u>\$ 6,926</u>	<u>\$ 501,967</u>

	Salary (1)	Benefits & Allow (2)	Expenses (3)	2020
<u>Council</u>				
Reeve - Lukinuk	\$ 77,875	\$ 11,818	\$ 9,598	\$ 99,291
Councillor - Orichowski	71,234	13,821	9,234	94,289
Councillor - Gawalko	67,913	10,799	10,497	89,209
Councillor - Cherniwchan	67,913	10,202	8,267	86,382
Councillor - Halisky	67,913	14,614	6,123	88,650
	<u>\$ 352,848</u>	<u>\$ 61,254</u>	<u>\$ 43,719</u>	<u>\$ 457,821</u>
<u>Others</u>				
CAO - Ollikka	\$ 97,054	\$ 16,986	\$ 1,378	\$ 115,418
CAO - Sobolewski	39,500	9,945	25,137	74,582
Designated officers (3)	253,108	31,655	2,239	287,002
	<u>\$ 389,662</u>	<u>\$ 58,586</u>	<u>\$ 28,754</u>	<u>\$ 477,002</u>

(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 Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans, and professional memberships.

(3) Expenses include travel, mileage, meals, accommodation, registration fees and other expenses.

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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14. Local Authorities Pension Plan

Employees of the county participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 276,000 people and 433 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The county is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2021 were \$283,806 (2020 - \$ 282,233). Total current service contributions by the employees of the county to the LAPP in 2021 were \$257,652 (2020 - \$256,403).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$5 billion.

15. Segmented Disclosure

The Smoky Lake County provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in note 1.

Refer to Schedule 6 – Segmented Disclosure.

16. Operating Line of Credit

The county has a prime less 1/4% authorized operating line of credit of \$5,000,000 with the Alberta Treasury Branch. No balance was outstanding as at December 31, 2021.

17. Financial Instruments

The county's financial instruments consist of cash, receivables, long-term investments and accounts payable and accrued liabilities. It is management's opinion that the county is not exposed to significant interest or currency risks arising from these financial instruments.

The county is subject to credit risk with respect to taxes and grants in place of taxes receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

18. Approval of Financial Statements

Council and management have approved these financial statements.

19. Budget Amounts

Budget amounts are included for information purposes only and are not audited.

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

20. Recent Accounting Pronouncements Published But Not Yet Adopted

PSAS Section 1000, Financial Statement Concepts

The amendments are effective beginning on or after April 1, 2023. This standard has been amended to allow for recognition of intangibles.

PSAS Section 1201, Financial Statement Presentation

Revised standard is effective beginning on or after April 1, 2023, when sections PS2601 and PS3450 are adopted.

PSAS Section 2601, Foreign Currency Translation

PS2601 establishes standards on how to account for and report transactions that are denominated in foreign currency in government financial statements. It applies to years beginning on or after April 1, 2022.

PSAS Section 3041, Portfolio Investments

This standard addresses the distinction between temporary and portfolio investments. The standard is effective beginning on or after April 1, 2022, when sections PS1201, PS2601 and PS3450 are adopted.

PSAS Section 3160, Public Private Partnerships

This standard establishes standards on how to account for public private partnership arrangements. It applies in years beginning on or after April 1, 2023.

PSAS Section 3280, Asset Retirement Obligations

This standard is intended to provide guidance on accounting for asset retirement obligations and will apply in years beginning on or after April 1, 2021.

PSAS Section 3400, Revenue

This standard will provide greater clarity on the difference between exchange and non-exchange transactions. It applies in years beginning on or after April 1, 2023.

PSAS Section 3450, Financial Instruments

This standard establishes recognition, measurement and disclosure requirements for derivative and non-derivative financial instruments. It applies to years beginning on or after April 1, 2022.

21. Uncertainty Due to Covid-19

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the COVID-19 pandemic. The measures implemented to combat the spread of the virus have had an impact on the county; however, an estimate of the financial impact cannot be made at this time.

The county is closely monitoring the recommendations from public health agencies and government authorities while implementing its operational plan to reduce any adverse financial impact and continue operations.