

**SMOKY LAKE COUNTY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2020**



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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Council:

### *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, 2020, 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 financial position of the Municipality as at December 31, 2020, and the results of its operations and its 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 the 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 those 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 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 misstatements, 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 relating 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.

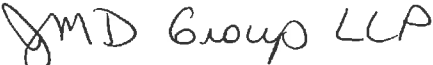
### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

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 the audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 disclosure 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.

St. Paul, Alberta  
March 25, 2021

  
Chartered Professional Accountants

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>Financial assets</b>		
Cash (note 2)	\$ 20,121,392	\$ 15,830,959
Taxes and grants in place receivable (note 3)	520,590	690,355
Receivables from other governments	1,427,404	1,145,916
Trade and other receivables	1,062,772	1,013,899
Investment in Gas Alberta Inc. (note 4)	67,983	67,983
Investment in Corridor Communications Inc.	<u>    --</u>	<u>1,099,894</u>
	<u>23,200,141</u>	<u>19,849,006</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,342,248	1,028,755
Employee obligations (note 5)	1,369,065	1,305,071
Deposit liabilities	231,615	269,395
Deferred revenue (note 6)	2,013,468	1,117,359
Tax sale surplus	10,069	4,307
Landfill closure and post-closure liability (note 7)	<u>286,688</u>	<u>263,500</u>
	<u>5,253,153</u>	<u>3,988,387</u>
<b>Net financial assets</b>	<u>17,946,988</u>	<u>15,860,619</u>
<b>Non-financial assets</b>		
Tangible capital assets (schedule 2)	36,940,936	38,595,683
Inventory (note 8)	3,520,433	2,968,775
Prepaid expenses	<u>247,329</u>	<u>231,782</u>
	<u>40,708,698</u>	<u>41,796,240</u>
<b>Accumulated surplus</b> (schedule 1, note 12)	<u>\$ 58,655,686</u>	<u>\$ 57,656,859</u>

**Contingent liabilities** (note 14)

ON BEHALF OF THE SMOKY LAKE COUNTY

  
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**SMOKY LAKE COUNTY  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u> (unaudited)	<u>2020</u>	<u>2019</u>
<b>Revenues</b>			
Net municipal taxes (schedule 3)	\$ 9,766,052	\$ 9,699,791	\$ 9,684,252
Sales of goods and services	917,554	789,708	807,267
Government transfers for operating (schedule 4)	661,198	776,174	618,845
Investment income	363,312	229,360	377,187
Penalties and costs of taxes	74,095	249,046	217,030
Licenses and permits	60,330	108,636	88,058
Special levies and taxes	208,800	219,076	602,536
Insurance recoveries	78,000	79,568	87,218
Rentals and leases	47,650	43,137	28,892
Gain on sale of investment	--	1,622,480	--
Natural gas	<u>2,579,150</u>	<u>2,694,526</u>	<u>2,772,355</u>
	<b><u>14,756,141</u></b>	<b><u>16,511,502</u></b>	<b><u>15,283,640</u></b>
<b>Expenses</b>			
Legislative	541,793	456,662	511,324
Administration	1,810,787	2,297,355	2,348,636
Protective services	925,386	893,217	731,793
Transportation	8,096,649	7,057,639	7,372,004
Water and wastewater	553,849	574,660	539,337
Landfill	551,894	469,034	505,543
Further education	125,700	114,048	113,288
Agriculture services	887,481	655,000	734,336
Municipal planning, community and economic development	669,562	729,407	631,080
Recreation and culture	477,919	391,358	462,586
Natural gas	<u>2,702,150</u>	<u>2,730,596</u>	<u>2,727,196</u>
	<b><u>17,343,170</u></b>	<b><u>16,368,976</u></b>	<b><u>16,677,123</u></b>
<b>Deficiency of revenues over expenses before other</b>	<b>(2,587,029)</b>	<b>142,526</b>	<b>(1,393,483)</b>
<b>Other</b>			
Loss on disposal of tangible capital assets	--	(12,220)	(114,915)
Government transfers for capital (schedule 4)	<u>874,250</u>	<u>868,521</u>	<u>1,443,225</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>(1,712,779)</b>	<b>998,827</b>	<b>(65,173)</b>
<b>Accumulated surplus, beginning of year</b>	<b><u>57,656,859</u></b>	<b><u>57,656,859</u></b>	<b><u>57,722,032</u></b>
<b>Accumulated surplus, end of year</b>	<b>\$ <u>55,944,080</u></b>	<b>\$ <u>58,655,686</u></b>	<b>\$ <u>57,656,859</u></b>

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u> (unaudited)	<u>2020</u>	<u>2019</u>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (1,712,779)</b>	<b>\$ 998,827</b>	<b>\$ (65,173)</b>
Acquisition of tangible capital assets	(1,272,289)	(699,026)	(1,165,038)
Proceeds on disposal of tangible capital assets	--	9,200	315,082
Amortization of tangible capital assets	2,277,786	2,332,353	2,324,012
Loss on disposal of tangible capital assets	--	12,220	114,915
	<u>1,005,497</u>	<u>1,654,747</u>	<u>1,588,971</u>
Acquisition of inventory	(2,200,000)	(2,131,499)	(2,521,304)
Use of inventory	1,600,000	1,579,841	2,140,829
Acquisition of prepaid assets	(240,000)	(242,734)	(220,058)
Use of prepaid assets	220,000	227,187	205,580
	<u>(620,000)</u>	<u>(567,205)</u>	<u>(394,953)</u>
<b>Increase (decrease) in net financial assets</b>	<b>(1,327,282)</b>	<b>2,086,369</b>	<b>1,128,845</b>
<b>Net financial assets, beginning of year</b>	<b><u>15,860,619</u></b>	<b><u>15,860,619</u></b>	<b><u>14,731,774</u></b>
<b>Net financial assets, end of year</b>	<b>\$ <u>14,533,337</u></b>	<b>\$ <u>17,946,988</u></b>	<b>\$ <u>15,860,619</u></b>

**SMOKY LAKE COUNTY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess (deficiency) of revenues over expenses	\$ 998,827	\$ (65,173)
Non-cash items included		
Amortization of tangible capital assets	2,332,353	2,324,012
Loss on disposal of tangible capital assets	12,220	114,915
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	169,765	104,323
Receivables from other governments	(281,488)	240,467
Trade and other receivables	(48,873)	(161,102)
Inventory	(551,658)	(380,475)
Prepaid expenses	(15,547)	(14,478)
Increase (decrease) in		
Accounts payable and accrued liabilities	313,493	161,315
Employee obligations	63,994	(1,895)
Deposit liabilities	(37,780)	--
Deferred revenue	896,109	(57,255)
Tax sale surplus	5,762	80
Landfill closure and post-closure	<u>23,188</u>	<u>15,500</u>
	<u>3,880,365</u>	<u>2,280,234</u>
<b>Capital</b>		
Acquisition of tangible capital assets	(699,026)	(1,165,038)
Proceeds on disposal of tangible capital assets	<u>9,200</u>	<u>315,082</u>
	<u>(689,826)</u>	<u>(849,956)</u>
<b>Investing</b>		
Increase in restricted cash	(700,666)	(59,772)
Decrease in investment in CCI	<u>1,099,894</u>	<u>--</u>
	<u>399,228</u>	<u>(59,772)</u>
<b>Change in cash during the year</b>	3,589,767	1,370,506
<b>Cash, beginning of year</b>	<u>15,608,793</u>	<u>14,238,287</u>
<b>Cash, end of year</b>	\$ <u>19,198,560</u>	\$ <u>15,608,793</u>
<b>Cash is made up of:</b>		
Cash (note 2)	\$ 20,121,392	\$ 15,830,959
Less restricted portion	<u>(922,832)</u>	<u>(222,166)</u>
	\$ <u>19,198,560</u>	\$ <u>15,608,793</u>

**SMOKY LAKE COUNTY**  
**SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2020</u>	<u>2019</u>
<b>Balance, beginning of year</b>	\$ 6,296,316	\$ 12,764,860	\$ 38,595,683	\$ 57,656,859	\$ 57,722,032
Excess (deficiency) of revenues over expenses	998,827	--	--	998,827	(65,173)
Unrestricted funds designated for future use	(2,635,893)	2,635,893	--	--	--
Current year funds used for tangible capital assets	(699,026)	--	699,026	--	--
Disposal of tangible capital assets	21,420	--	(21,420)	--	--
Annual amortization expense	2,332,353	--	(2,332,353)	--	--
<b>Change in accumulated surplus</b>	<u>17,681</u>	<u>2,635,893</u>	<u>(1,654,747)</u>	<u>998,827</u>	<u>(65,173)</u>
<b>Balance, end of year</b>	\$ 6,313,997	\$ 15,400,753	\$ 36,940,936	\$ 58,655,686	\$ 57,656,859



**SMOKY LAKE COUNTY**  
**SCHEDULE 2 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>Cost</b>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery &amp; Equipment</u>	<u>Vehicles</u>	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 5,143,588	\$ 1,364,576	\$ 4,597,289	\$ 50,484,573	\$ 11,907,582	\$ 5,885,428	\$ 79,383,036	\$ 79,163,999
Acquisition of tangible capital assets	14,500	95,404	217,811	7,570	258,643	161,940	755,868	1,011,741
Construction-in-progress	--	--	--	(56,842)	--	--	(56,842)	153,297
Disposal of tangible capital assets	<u>(14,020)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(14,800)</u>	<u>(28,820)</u>	<u>(946,001)</u>
Balance, end of year	<u>5,144,068</u>	<u>1,459,980</u>	<u>4,815,100</u>	<u>50,435,301</u>	<u>12,166,225</u>	<u>6,032,568</u>	<u>80,053,242</u>	<u>79,383,036</u>
<b>Accumulated amortization</b>								
Balance, beginning of year	--	895,924	1,502,743	28,951,274	5,619,897	3,817,515	40,787,353	38,979,345
Annual amortization	--	51,835	84,357	1,250,241	664,323	281,597	2,332,353	2,324,012
Accumulated amortization on disposals	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(7,400)</u>	<u>(7,400)</u>	<u>(516,004)</u>
Balance, end of year	<u>--</u>	<u>947,759</u>	<u>1,587,100</u>	<u>30,201,515</u>	<u>6,284,220</u>	<u>4,091,712</u>	<u>43,112,306</u>	<u>40,787,353</u>
<b>Net book value of tangible capital assets</b>	<u>\$ 5,144,068</u>	<u>\$ 512,221</u>	<u>\$ 3,228,000</u>	<u>\$ 20,233,786</u>	<u>\$ 5,882,005</u>	<u>\$ 1,940,856</u>	<u>\$ 36,940,936</u>	<u>\$ 38,595,683</u>
2019 Net book value of tangible capital assets	<u>\$ 5,143,588</u>	<u>\$ 468,652</u>	<u>\$ 3,094,546</u>	<u>\$ 21,533,299</u>	<u>\$ 6,287,685</u>	<u>\$ 2,067,913</u>	<u>\$ 38,595,683</u>	

**SMOKY LAKE COUNTY  
SCHEDULE 3 - PROPERTY TAXES LEVIED  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budget</u> (unaudited)	<u>2020</u>	<u>2019</u>
<b>Levies</b>			
Residential and farmland	\$ 3,528,023	\$ 3,514,675	\$ 3,506,048
Non-residential	992,836	1,004,719	879,058
Machinery and equipment	1,233,333	1,232,012	1,241,523
Linear property	6,394,923	6,382,279	6,444,229
Grants in place	<u>66,320</u>	<u>33,169</u>	<u>66,593</u>
	<u>12,215,435</u>	<u>12,166,854</u>	<u>12,137,451</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	1,921,305	1,960,283	1,925,363
Smoky Lake Foundation	504,150	482,894	502,965
Designated Industrial Property	<u>23,928</u>	<u>23,886</u>	<u>24,871</u>
	<u>2,449,383</u>	<u>2,467,063</u>	<u>2,453,199</u>
<b>Net municipal taxes</b>	<b>\$ <u>9,766,052</u></b>	<b>\$ <u>9,699,791</u></b>	<b>\$ <u>9,684,252</u></b>

**SCHEDULE 4 - GOVERNMENT TRANSFERS**

<b>Transfers for operations</b>			
Federal	\$ 20,000	\$ 16,800	\$ 11,056
Provincial	569,008	655,746	548,801
Other local governments	<u>72,190</u>	<u>103,628</u>	<u>58,988</u>
	<u>661,198</u>	<u>776,174</u>	<u>618,845</u>
<b>Transfers for capital</b>			
Provincial	774,250	830,083	1,328,252
Other local governments	<u>100,000</u>	<u>38,438</u>	<u>114,973</u>
	<u>874,250</u>	<u>868,521</u>	<u>1,443,225</u>
<b>Total government transfers</b>	<b>\$ <u>1,535,448</u></b>	<b>\$ <u>1,644,695</u></b>	<b>\$ <u>2,062,070</u></b>

**SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT**

<b>Expenses</b>			
Salaries, wages and benefits	\$ 7,782,721	\$ 7,233,796	\$ 7,278,337
Contracted and general services	3,088,772	2,349,376	2,332,674
Purchases from other governments	193,262	194,968	118,260
Materials, goods, supplies and utilities	2,488,363	2,222,953	2,575,304
Provision for allowances and bad debts	--	401,271	411,804
Transfers to other governments	55,500	62,877	46,677
Transfers to individuals and organizations	337,194	291,461	355,647
Bank charges and short-term interest	5,850	3,790	4,639
Tax adjustments	3,000	15,058	27,024
Natural gas purchases	1,110,722	1,261,073	1,202,745
Amortization of tangible capital assets	<u>2,277,786</u>	<u>2,332,353</u>	<u>2,324,012</u>
<b>Total expenses</b>	<b>\$ <u>17,343,170</u></b>	<b>\$ <u>16,368,976</u></b>	<b>\$ <u>16,677,123</u></b>

**SMOKY LAKE COUNTY  
SCHEDULE 6 – SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Government	Protective Services	Transportation Services	Environmental Services	Agriculture	Planning, Community Services	Recreation and Culture	Gas	Total
<b>Revenues</b>									
Net municipal taxes	\$ 9,699,791	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,699,791
Government transfers	269,568	22,389	776,689	--	123,908	289,022	124,681	38,438	1,644,695
User fees and sales of goods	132,048	161,400	243,906	260,354	1,585	105,157	33,552	2,681,503	3,619,505
Investment income	215,358	--	--	--	--	--	--	14,000	229,358
Other revenues	<u>1,954,575</u>	<u>--</u>	<u>210,036</u>	<u>9,040</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>13,023</u>	<u>2,186,674</u>
	<u>12,271,340</u>	<u>183,789</u>	<u>1,230,631</u>	<u>269,394</u>	<u>125,493</u>	<u>394,179</u>	<u>158,233</u>	<u>2,746,964</u>	<u>17,380,023</u>
<b>Expenses</b>									
Salaries, wages and benefits	1,354,019	331,634	3,301,454	509,151	400,479	294,482	140,502	902,075	7,233,796
Contract and general services	697,293	306,437	630,580	217,201	99,566	398,125	25,626	169,516	2,544,344
Goods and supplies	190,169	139,475	1,488,075	84,698	99,186	2,479	55,099	1,424,845	3,484,026
Transfers to others	33,260	--	--	52,877	--	148,369	119,832	--	354,338
Loss (gain) on disposal of assets	11,020	--	1,200	--	--	--	--	--	12,220
Other expenses	<u>419,460</u>	<u>--</u>	<u>--</u>	<u>2,015</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,356)</u>	<u>420,119</u>
	<u>2,705,221</u>	<u>777,546</u>	<u>5,421,309</u>	<u>865,942</u>	<u>599,231</u>	<u>843,455</u>	<u>341,059</u>	<u>2,495,080</u>	<u>14,048,843</u>
<b>Net revenue before amortization</b>	9,566,119	(593,757)	(4,190,678)	(596,548)	(473,738)	(449,276)	(182,826)	251,884	3,331,180
Amortization expense	<u>(59,816)</u>	<u>(115,671)</u>	<u>(1,637,530)</u>	<u>(177,752)</u>	<u>(55,769)</u>	<u>--</u>	<u>(50,299)</u>	<u>(235,516)</u>	<u>(2,332,353)</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ 9,506,303</u>	<u>\$ (709,428)</u>	<u>\$ (5,828,208)</u>	<u>\$ (774,300)</u>	<u>\$ (529,507)</u>	<u>\$ (449,276)</u>	<u>\$ (233,125)</u>	<u>\$ 16,368</u>	<u>\$ 998,827</u>

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. Significant Accounting Policies**

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

(a) Reporting Entity

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

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

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

Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

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

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

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

(c) Cash

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

(d) Investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. Significant Accounting Policies - continued**

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(f) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) 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.

(h) Government Transfers

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

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

(i) 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 site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. 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 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.

(i) Tangible Capital Assets

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

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

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

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Inventories

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

(k) 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.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>2. Cash</b>	<u>2020</u>	<u>2019</u>
Petty cash	\$ 850	\$ 850
Current accounts	1,663,159	540,698
Savings accounts	18,447,314	15,285,104
Trust account	<u>10,069</u>	<u>4,307</u>
	<b>\$ <u>20,121,392</u></b>	<b>\$ <u>15,830,959</u></b>

Council has designated \$15,400,753 (2019 - \$12,764,860) to fund the reserves.

Included in cash is a restricted amount of \$922,832 (2019 - \$222,166) comprised of deferred revenue received and not expended (see note 6).

<b>3. Taxes and Grants in Place Receivable</b>	<u>2020</u>	<u>2019</u>
Current	\$ 333,445	\$ 430,296
Arrears	1,473,974	1,145,616
Less allowance for doubtful accounts	<u>(1,286,829)</u>	<u>(885,557)</u>
	<b>\$ <u>520,590</u></b>	<b>\$ <u>690,355</u></b>

**4. Investment in Gas Alberta Inc.**

Effective June 30, 1998, Gas Alberta, a branch of Alberta Transportation and Utilities, was privatized and operations assumed by Gas Alberta Inc. The shareholders of Gas Alberta Inc. are predominantly made up of members of the Federation of Alberta Gas Co-ops.

The county's investment in Gas Alberta Inc. consists of:	<u>2020</u>	<u>2019</u>
Class A common shares	\$ 483	\$ 483
Loan receivable	<u>67,500</u>	<u>67,500</u>
	<b>\$ <u>67,983</u></b>	<b>\$ <u>67,983</u></b>

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

<b>5. Employee Obligations</b>	<u>2020</u>	<u>2019</u>
Accrued holiday pay	\$ 442,495	\$ 390,289
Accrued retirement benefits	108,103	106,663
Accrued wages	76,936	63,765
Accrued sick leave	<u>741,531</u>	<u>744,354</u>
	<b>\$ <u>1,369,065</u></b>	<b>\$ <u>1,305,071</u></b>

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>6. Deferred Revenue</b>	<u>2020</u>	<u>2019</u>
Federal Gas Tax Fund	\$ 551,971	\$ 411,198
Municipal Sustainability Initiative – Capital	1,176,721	646,226
ACP – Intermunicipal Collaboration	74,805	--
Municipal Operating Support Transfer	163,219	--
Family and Community Support Services	7,783	--
Advanced Education	20,793	22,038
Natural gas sales	<u>18,176</u>	<u>37,897</u>
	<u>\$ 2,013,468</u>	<u>\$ 1,117,359</u>

Unexpended funding in the amount of \$1,995,292 was allocated to the county in the current year from various federal and provincial government programs. 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 \$922,832.

**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 87,000 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>2020</u>	<u>2019</u>
Estimated closure costs	\$ 406,500	\$ 399,840
Estimated post-closure costs	<u>399,000</u>	<u>390,660</u>
Estimated total liability	<u>\$ 805,500</u>	<u>\$ 790,500</u>
Estimated capacity used	36%	33%
Amount accrued to December 31	<u>\$ 286,688</u>	<u>\$ 263,500</u>
Balance of total liability remaining to be recognized	<u>\$ 518,812</u>	<u>\$ 527,000</u>



**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<b>8. Inventory</b>	<u>2020</u>	<u>2019</u>
Public works	\$ 710,149	\$ 629,341
Gravel (valued at crushing cost)	2,623,477	2,205,242
A.S.B.	<u>72,409</u>	<u>24,864</u>
	3,406,035	2,859,447
Gas utility	<u>114,398</u>	<u>109,328</u>
	<u>\$ 3,520,433</u>	<u>\$ 2,968,775</u>

**9. Contaminated Sites Liability**

In 2019 a phase 2 environmental study was conducted on SE-16-59-19 W4M. The assessment concluded that there was a high potential for contamination of soil, soil vapour, and/or groundwater at the subject site relative to CL, IL, or Aquatic Life and DW standards. Currently, a provision of \$100,000 has been recorded.

**10. Debt Limits**

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

	<u>2020</u>	<u>2019</u>
Total debt limit	\$ 24,824,910	\$ 23,097,919
Total debt	<u>          --</u>	<u>          --</u>
Debt limit remaining	<u>\$ 24,824,910</u>	<u>\$ 23,097,919</u>
Debt servicing limit	\$ 4,137,485	\$ 3,849,653
Debt servicing	<u>          --</u>	<u>          --</u>
Debt servicing limit remaining	<u>\$ 4,137,485</u>	<u>\$ 3,849,653</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

**11. Operating Loan**

The county has a prime less ¼% authorized operating line of \$5,000,000 with the Alberta Treasury Branch. No balance was outstanding as at December 31, 2020.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**12. Accumulated Surplus**

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

	<u>2020</u>	<u>2019</u>
Unrestricted surplus	\$ <u>6,313,997</u>	\$ <u>6,296,316</u>
Restricted surplus		
Capital		
Building	1,197,539	183,374
General	3,283,113	2,436,505
Connectivity	476,523	--
Regional landfill	613,206	527,946
Transportation	1,349,496	1,205,170
Gravel pit reclamation	456,536	447,929
Gravel pit development	99,746	83,203
Fire	1,365,612	1,317,452
Street sweeper	55,264	45,769
Regional waterline	261,233	261,233
Road development	1,604,633	1,484,363
Economic development	59,223	59,223
Municipal reserve	<u>41,762</u>	<u>41,762</u>
	10,863,886	8,093,929
Municipal general	2,507,750	2,751,676
Gas	<u>2,029,117</u>	<u>1,919,255</u>
Total restricted	<u>15,400,753</u>	<u>12,764,860</u>
Equity in tangible capital assets	<u>36,940,936</u>	<u>38,595,683</u>
	<u>\$ 58,655,686</u>	<u>\$ 57,656,859</u>

**13. 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.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**14. Contingent Liabilities**

(a) 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.

(b) Highway 28/63 Regional Water Services Commission

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

**15. Commitments**

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

**16. Local Authorities Pension Plan**

Employees of the county participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 274,000 people and 420 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 2020 were \$282,233 (2019 - \$288,940). Total current service contributions by the employees of the county to the LAPP in 2020 were \$256,403 (2019 - \$262,555).

At December 31, 2019, the LAPP disclosed an actuarial surplus of \$7.91 billion.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**17. 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:

		<b>2020</b>		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Lukinuk	\$ 77,875	\$ 11,818	\$ 9,598
Councillors	Orichowski	71,234	13,821	9,234
	Gawalko	67,913	10,799	10,497
	Cherniwchan	67,913	10,202	8,267
	Halisky	<u>67,913</u>	<u>14,614</u>	<u>6,123</u>
	Total 2020 legislative costs	<u>\$ 352,848</u>	<u>\$ 61,254</u>	<u>\$ 43,719</u>
Chief Administrative Officer	Ollikka	\$ <u>97,054</u>	\$ <u>16,986</u>	\$ <u>1,378</u>
	Sobolewski	\$ <u>39,500</u>	\$ <u>9,945</u>	\$ <u>25,137</u>
Designated Officers – 3		<u>\$ 253,108</u>	<u>\$ 31,655</u>	<u>\$ 2,239</u>
		<b>2019</b>		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Lukinuk	\$ 77,127	\$ 12,104	\$ 31,675
Councillors	Orichowski	70,555	13,598	20,937
	Gawalko	67,267	10,574	19,160
	Cherniwchan	67,267	12,870	20,228
	Halisky	<u>67,267</u>	<u>13,282</u>	<u>19,402</u>
	Total 2020 legislative costs	<u>\$ 349,483</u>	<u>\$ 62,428</u>	<u>\$ 111,402</u>
Chief Administrative Officer	Ollikka	\$ <u>155,268</u>	\$ <u>29,820</u>	\$ <u>15,307</u>
	Designated Officers - 3	<u>\$ 318,294</u>	<u>\$ 40,122</u>	<u>\$ 5,311</u>

(1) Salary includes regular base pay, gross honoraria, Reeve remuneration and any other direct cash remuneration. These amounts are included in Legislative, Development, ASB, and Natural Gas functional expenses.

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, and professional memberships.

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

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**18. 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.

**19. Approval of Financial Statements**

Council and Management have approved these financial statements.

**20. Budget Amounts**

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

**21. Subsequent Event**

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national, and global economics.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the County's operations as at the date of these financial statements.

**SMOKY LAKE COUNTY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**22. Recent Accounting Pronouncements Published But Not Yet Adopted**

- (a) 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.
- (b) PSAS Section 1201, Financial Statement Presentation  
Revised standard is effective beginning on or after April 1, 2023, when sections PS2601 and PS3450 are adopted.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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.