

**SMOKY LAKE COUNTY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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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, 2023 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.

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Lydia Cielin, Acting CAO

March 28, 2024

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## INDEPENDENT AUDITOR'S REPORT

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To the Council of Smoky Lake County

### *Opinion*

We have audited the consolidated financial statements of Smoky Lake County (the organization), which comprise the consolidated statement of financial position as at December 31, 2023, 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 organization as at December 31, 2023, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

### *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 organization 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 organization'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 organization'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 organization 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, 2023**

	2023	2022
<b>Financial assets</b>		
Cash (Note 2)	\$ 19,878,679	\$ 19,590,124
Taxes and grants in place receivable (Note 3)	512,236	543,562
Receivables from other governments	577,014	2,366,568
Trade and other receivables	623,689	1,068,266
Loan to MCC for Smoky Lake Development Corp. (Note 5)	615,567	-
Investment in Gas Alberta Inc. (Note 4)	67,932	67,983
Investment in MCC for Smoky Lake Development Corp.	10,000	10,000
	<u>22,285,117</u>	<u>23,646,503</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,105,674	2,286,651
Employee obligations (Note 6)	1,348,948	1,406,489
Deposit liabilities	239,250	221,124
Deferred revenue (Note 7)	1,042,753	1,475,784
Tax sale surplus	10,317	10,317
Asset retirement obligations (Note 8)	1,767,840	1,733,177
	<u>5,514,782</u>	<u>7,133,542</u>
<b>Net financial assets</b>	<u>16,770,335</u>	<u>16,512,961</u>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 2)	37,717,013	38,487,697
Inventory (Note 9)	3,562,124	3,707,731
Prepaid expenses	54,499	199,380
	<u>41,333,636</u>	<u>42,394,808</u>
<b>Accumulated surplus (Schedule 1, Note 10)</b>	<u>\$ 58,103,971</u>	<u>\$ 58,907,769</u>

CONTINGENT LIABILITIES (Note 11)

**APPROVED BY:**

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Reeve

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
<b>Revenues</b>			
Net municipal taxes ( <i>Schedule 3</i> )	\$ 10,315,527	\$ 10,376,688	\$ 9,935,917
Sales of goods and services	836,858	911,570	886,789
Government transfers for operating ( <i>Schedule 4</i> )	733,580	910,436	850,579
Investment income	370,000	898,867	416,691
Penalties and costs of taxes	80,000	392,554	348,891
Licenses and permits	88,500	93,841	115,337
Special levies and taxes	209,040	206,540	150,052
Insurance recoveries	8,151	75,542	77,703
Rentals and leases	45,000	60,755	43,482
Natural gas	2,994,520	2,634,175	3,941,420
	<u>15,681,176</u>	<u>16,560,968</u>	<u>16,766,861</u>
<b>Expenses</b>			
Legislative	510,243	502,276	498,982
Administration	2,171,535	2,310,939	2,298,953
Protective services	1,338,897	1,358,956	874,384
Transportation	9,647,264	7,871,181	7,554,348
Water and wastewater	722,384	680,129	635,410
Landfill	530,988	661,908	679,557
Further education	113,230	118,657	119,903
Agricultural services	930,450	884,294	868,553
Municipal planning, community and economic development	883,751	761,166	744,396
Recreation and culture	510,174	410,670	409,701
Natural gas	3,059,520	2,828,039	4,306,643
	<u>20,418,436</u>	<u>18,388,215</u>	<u>18,990,830</u>
<b>Deficiency of revenues over expenses before other</b>	<u>(4,737,260)</u>	<u>(1,827,247)</u>	<u>(2,223,969)</u>
<b>Other</b>			
Government transfers for capital ( <i>Schedule 4</i> )	1,977,489	1,151,264	2,302,242
Gain (loss) on disposal of tangible capital assets	361,800	(127,815)	134,067
	<u>2,339,289</u>	<u>1,023,449</u>	<u>2,436,309</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>(2,397,971)</u>	<u>(803,798)</u>	<u>212,340</u>
<b>Accumulated surplus, beginning of year</b>	<u>58,907,769</u>	<u>58,907,769</u>	<u>58,695,429</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 56,509,798</u>	<u>\$ 58,103,971</u>	<u>\$ 58,907,769</u>

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
<b>Excess (deficiency) of revenues over expenses</b>	\$ (2,397,971)	\$ <b>(803,798)</b>	\$ 212,340
Amortization of tangible capital assets	2,265,300	<b>2,287,596</b>	2,300,112
Acquisition of tangible capital assets	(1,052,559)	<b>(1,910,871)</b>	(3,443,299)
Proceeds on disposal of tangible capital assets	-	<b>266,144</b>	473,082
Loss (gain) on disposal of tangible capital assets	(361,800)	<b>127,815</b>	(134,067)
	850,941	<b>770,684</b>	(804,172)
Increase in inventory	50,000	<b>145,607</b>	(31,874)
Decrease (increase) in prepaid expenses	(50,000)	<b>144,881</b>	14,246
	850,941	<b>1,061,172</b>	(821,800)
<b>Increase (decrease) in net financial assets</b>	(1,547,030)	<b>257,374</b>	(609,460)
<b>Net financial assets - beginning of year</b>	16,512,961	<b>16,512,961</b>	17,122,421
<b>Net financial assets - end of year</b>	\$ 14,965,931	\$ <b>16,770,335</b>	\$ 16,512,961

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

	2023	2022
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess of revenues over expenses	\$ (803,798)	\$ 212,340
Items not affecting cash:		
Amortization of tangible capital assets	2,287,596	2,300,112
Loss (gain) on disposal of tangible capital assets	127,815	(134,067)
	<u>1,611,613</u>	<u>2,378,385</u>
Changes in non-cash working capital:		
Taxes and grants in place receivable	31,326	77,713
Receivables from other governments	1,789,554	54,585
Trade and other receivables	444,577	293,073
Accounts payable and accrued liabilities	(1,180,977)	(76,178)
Employee obligations	(57,541)	38,232
Deposit liabilities	18,125	(400)
Deferred revenue	(433,030)	(656,436)
Tax sale surplus	-	195
Asset retirement obligations	34,663	864,523
Inventory	145,607	(31,875)
Prepaid expenses	144,881	14,246
	<u>937,185</u>	<u>577,678</u>
Net cash from operations	<u>2,548,798</u>	<u>2,956,063</u>
<b>Capital</b>		
Purchase of tangible capital assets	(1,910,871)	(3,443,299)
Proceeds on disposal of tangible capital assets	266,144	473,082
	<u>(1,644,727)</u>	<u>(2,970,217)</u>
<b>Investing</b>		
Investment in MCC for Smoky Lake Development Corp.	-	(10,000)
Change in restricted cash	85,488	404,229
Loan to MCC for Smoky Lake Development Corp.	(615,567)	-
Redemption of shares in Gas Alberta Inc.	51	-
	<u>(530,028)</u>	<u>394,229</u>
<b>Net change in cash during the year</b>	<b>374,043</b>	<b>380,075</b>
<b>Cash - beginning of year</b>	<b>18,902,142</b>	<b>18,522,067</b>
<b>Cash - end of year</b>	<b>\$ 19,276,185</b>	<b>\$ 18,902,142</b>
<b>Cash consists of:</b>		
Cash	\$ 19,878,679	\$ 19,590,124
Less restricted cash	(602,494)	(687,982)
	<u>\$ 19,276,185</u>	<u>\$ 18,902,142</u>



**SMOKY LAKE COUNTY**  
**SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
Balance, beginning of year					
As originally stated	\$ 5,095,348	\$ 15,324,724	\$ 38,487,697	\$ 58,907,769	\$ 58,695,429
Prior period adjustment, asset retirement obligations	1,733,177	-	(1,733,177)	-	-
<b>As restated</b>	<b>6,828,525</b>	<b>15,324,724</b>	<b>36,754,520</b>	<b>58,907,769</b>	<b>58,695,429</b>
Excess of revenues over expenses	(803,798)	-	-	<b>(803,798)</b>	212,340
Funds used for tangible capital assets	(1,910,871)	-	1,910,871	-	-
Annual amortization expense	2,287,596	-	(2,287,596)	-	-
Disposals of tangible capital assets	393,959	-	(393,959)	-	-
Annual accretion expense	34,663	-	(34,663)	-	-
Funds designated for future use	648,177	(648,177)	-	-	-
<b>Change in accumulated surplus</b>	<b>649,726</b>	<b>(648,177)</b>	<b>(805,347)</b>	<b>(803,798)</b>	<b>212,340</b>
<b>Balance, end of year</b>	<b>\$ 7,478,251</b>	<b>\$ 14,676,547</b>	<b>\$ 35,949,173</b>	<b>\$ 58,103,971</b>	<b>\$ 58,907,769</b>

**SMOKY LAKE COUNTY**  
**SCHEDULE 2 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2023	2022
<b>Cost</b>								
Balance, beginning of year	\$ 5,539,089	\$ 2,216,811	\$ 5,582,239	\$ 52,383,319	\$ 12,668,591	\$ 6,564,824	\$ 84,954,873	\$ 82,623,354
Acquisition of tangible capital assets	-	-	21,495	1,563,317	917,430	789,439	3,291,681	2,712,789
Construction in-progress	-	-	-	(1,380,810)	-	-	(1,380,810)	730,510
Disposal of tangible capital assets	(201,876)	-	-	-	(42,975)	(256,793)	(501,644)	(1,111,780)
Balance, end of year	5,337,213	2,216,811	5,603,734	52,565,826	13,543,046	7,097,470	86,364,100	84,954,873
<b>Accumulated amortization</b>								
Balance, beginning of year	-	1,079,773	1,790,893	32,509,514	7,004,049	4,082,947	46,467,176	44,939,828
Annual amortization	-	74,672	138,827	1,112,197	632,165	329,735	2,287,596	2,300,112
Accumulated amortization on disposals	-	-	-	-	(19,720)	(87,965)	(107,685)	(772,764)
Balance, end of year	-	1,154,445	1,929,720	33,621,711	7,616,494	4,324,717	48,647,087	46,467,176
<b>Net book value of tangible capital assets</b>	<b>\$ 5,337,213</b>	<b>\$ 1,062,366</b>	<b>\$ 3,674,014</b>	<b>\$ 18,944,115</b>	<b>\$ 5,926,552</b>	<b>\$ 2,772,753</b>	<b>\$ 37,717,013</b>	<b>\$ 38,487,697</b>
2022 Net book value of tangible capital assets	\$ 5,539,089	\$ 1,137,038	\$ 3,791,346	\$ 19,873,805	\$ 5,664,542	\$ 2,481,877	\$ 38,487,697	

**SMOKY LAKE COUNTY**  
**SCHEDULE 3 - PROPERTY TAXES LEVIED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
<b>Taxation</b>			
Residential	\$ 3,045,296	\$ <b>3,139,717</b>	\$ 2,981,937
Non-residential	1,270,155	<b>1,316,217</b>	1,224,239
Farmland	911,096	<b>1,001,076</b>	992,707
Machinery and equipment	1,188,096	<b>1,279,951</b>	1,138,096
Linear property	6,310,864	<b>6,141,030</b>	6,209,350
Grants in place	68,756	<b>69,721</b>	11,759
	<u>12,794,263</u>	<u><b>12,947,712</b></u>	<u>12,558,088</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	1,986,936	<b>2,039,430</b>	2,085,670
Smoky Lake Foundation	468,927	<b>510,942</b>	514,064
Designated Industrial Property	22,873	<b>20,652</b>	22,437
	<u>2,478,736</u>	<u><b>2,571,024</b></u>	<u>2,622,171</u>
<b>Net municipal taxes</b>	<u>\$ 10,315,527</u>	<u>\$ <b>10,376,688</b></u>	<u>\$ 9,935,917</u>

**SCHEDULE 4 - GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
<b>Transfers for operations</b>			
Federal grants	\$ 15,000	\$ <b>54,992</b>	\$ 17,661
Provincial	650,445	<b>796,228</b>	769,067
Local governments	68,135	<b>59,216</b>	63,851
	<u>733,580</u>	<u><b>910,436</b></u>	<u>850,579</u>
<b>Transfers for capital</b>			
Provincial	<u>1,977,489</u>	<u><b>1,151,264</b></u>	<u>2,302,242</u>
<b>Total government transfers</b>	<u>\$ 2,711,069</u>	<u>\$ <b>2,061,700</b></u>	<u>\$ 3,152,821</u>

**SMOKY LAKE COUNTY**  
**SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budget (Unaudited)	2023	2022
<b>Expenses</b>			
Salaries, wages and benefits	\$ 8,550,958	\$ 7,850,810	\$ 7,627,393
Contracted and general services	3,909,685	3,018,056	2,642,077
Purchases from other governments	321,000	313,165	248,007
Materials, goods, supplies and utilities	3,326,327	2,827,184	2,820,782
Provision for allowances and bad debts	-	309,946	207,802
Transfers to other governments	57,500	32,083	41,797
Transfers to individuals and organizations	739,133	352,381	328,722
Bank charges and short-term interest	6,000	5,592	7,728
Tax adjustments	3,000	80,804	39,663
Natural gas purchases	1,239,533	1,275,934	2,692,763
Amortization of tangible capital assets	2,265,300	2,287,596	2,300,112
Accretion expense	-	34,664	33,984
<b>Total expenses</b>	<b>\$ 20,418,436</b>	<b>\$ 18,388,215</b>	<b>\$ 18,990,830</b>

**SMOKY LAKE COUNTY**  
**SCHEDULE 6 - SEGMENTED DISCLOSURE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Community Services	Agriculture	Recreation and Culture	Gas	2023
<b>Revenues</b>									
Net municipal taxes	\$ 10,376,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,376,688
User fees (rentals and sales)	129,179	139,012	209,204	316,657	127,618	9,425	41,230	2,634,175	3,606,500
Government transfers for operating	141,250	59,091	-	-	417,048	181,247	111,800	-	910,436
Investment income	811,468	-	-	-	-	-	-	87,399	898,867
Other operating revenues	466,982	7,853	204,040	9,040	80,562	-	-	-	768,477
Government transfers for capital	-	68,585	1,082,679	-	-	-	-	-	1,151,264
Gain (loss) on disposal of TCA's	(157,902)	3,963	23,307	22,562	-	(19,745)	-	-	(127,815)
	11,767,665	278,504	1,519,230	348,259	625,228	170,927	153,030	2,721,574	17,584,417
<b>Expenses</b>									
Salaries, wages and benefits	1,412,533	451,717	3,308,408	714,065	317,308	537,996	173,942	934,841	7,850,810
Contracted and general services	722,897	613,950	1,057,521	199,263	409,449	120,645	18,784	188,712	3,331,221
Goods and supplies	112,539	165,233	2,013,645	169,362	1,893	177,920	5,262	1,457,264	4,103,118
Transfers to others	41,142	-	-	32,083	151,289	-	159,950	-	384,464
Other expenses	389,680	-	13,390	27,992	-	-	-	(56)	431,006
	2,678,791	1,230,900	6,392,964	1,142,765	879,939	836,561	357,938	2,580,761	16,100,619
<b>Net revenue before amortization</b>	9,088,874	(952,396)	(4,873,734)	(794,506)	(254,711)	(665,634)	(204,908)	140,813	1,483,798
Amortization expense	(133,825)	(128,056)	(1,478,218)	(199,273)	-	(56,500)	(44,447)	(247,277)	(2,287,596)
<b>Excess (deficiency) of revenues over expenses</b>	\$ 8,955,049	\$ (1,080,452)	\$ (6,351,952)	\$ (993,779)	\$ (254,711)	\$ (722,134)	\$ (249,355)	\$ (106,464)	\$ (803,798)

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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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, payables and accretion of asset retirement obligations. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the period in which they become known.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

*(continues)*

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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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. 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.

Inventory

Inventories of supplies for resale are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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.

Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the county has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance.

*(continues)*

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred Revenue

Deferred revenues represent government transfers (collected or allocated), donations, and other amounts that have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

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	10-27
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. 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.

4. Inventories

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

*(continues)*



**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the county to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the county reviews the carrying amount of the liability. The county recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The county continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

2. CASH

	2023	2022
Petty cash	\$ 800	\$ 850
Current accounts	851,468	1,863,225
Savings accounts	19,015,526	17,715,698
Trust account	10,885	10,351
	\$ 19,878,679	\$ 19,590,124

Council has designated \$14,676,547 (2022 - \$15,324,724) to fund the reserves.

Included in cash is a restricted amount of \$602,494 (2022 - \$687,982) comprised of deferred grants received and not expended (see Note 6).

3. TAXES AND GRANTS IN PLACE RECEIVABLE

	2023	2022
Current	\$ 333,791	\$ 375,129
Arrears	2,350,877	2,030,919
Less allowance for doubtful accounts	(2,172,432)	(1,862,486)
	\$ 512,236	\$ 543,562

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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.

	2023	2022
<u>The county's investment consists of</u>		
Class A common shares	\$ 432	\$ 483
Loan receivable	67,500	67,500
	\$ 67,932	\$ 67,983

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

5. INVESTMENT IN MCC FOR SMOKY LAKE DEVELOPMENT CORP.

6.5% loan to MCC for Smoky Lake Development Corp. to invest in the Smoky Lake Tourism Company Ltd. repayable in annual blended instalments of \$100,000 commencing December 31, 2024.

6. EMPLOYEE OBLIGATIONS

	2023	2022
Accrued holiday pay	\$ 452,401	\$ 473,703
Accrued sick leave	693,983	714,156
Accrued retirement benefits	143,726	129,665
Accrued wages and benefits	58,838	88,965
	\$ 1,348,948	\$ 1,406,489

7. DEFERRED REVENUE

	2023	2022
Federal Gas Tax Fund	\$ 391,198	\$ 443,308
MSI Capital	607,136	825,357
ACP-Intermunicipal Collaboration-Regional Fire	10,870	40,971
ACP - Municipal Development Guidelines	-	102,850
Alberta Infrastructure - AEP	20,000	20,000
Advanced Education	13,549	15,107
Parks Canada	-	28,191
	\$ 1,042,753	\$ 1,475,784

Unexpended funding in the amount of \$1,042,753 (2022 - \$1,475,784) 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 \$602,494 (2022 - \$687,982) and the remaining deferred grants are supported by receivables from other governments.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

8. ASSET RETIREMENT OBLIGATIONS

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 original liability calculated in the year of implementation is added to the cost of the associated asset and amortized on a straight-line basis over the remaining useful life of the asset.

The county has also recognized a liability for restoration of the Spedden landfill and two gravel pits. These amounts have not been added to the cost of an asset as there is no asset other than land and land is not amortized.

The liabilities are increased annually by the accretion expense.

	Opening Balance	Accretion Expense	Total
Smoky Lake landfill reclamation	\$ 432,633	\$ 8,653	\$ 441,286
Smoky Lake landfill post-closure monitoring	330,103	6,602	336,705
Spedden landfill reclamation	171,321	3,426	174,747
Spedden landfill post-closure monitoring	365,620	7,312	372,932
White Earth gravel pit	357,000	7,140	364,140
Sowka Lake gravel pit	76,500	1,530	78,030
	<u>\$ 1,733,177</u>	<u>\$ 34,663</u>	<u>\$ 1,767,840</u>

The undiscounted expenditures represent the estimated cash outflows required in future years in order to satisfy the asset retirement obligation assuming annual inflation of 2%. Undiscounted expenditures have been discounted using a 2% rate to calculate the current liability.

	<u>2023</u>	<u>2022</u>
<u>Undiscounted Expenditures</u>		
Smoky Lake landfill reclamation	\$ 723,976	\$ 723,976
Smoky Lake landfill post-closure monitoring	563,448	563,448
Spedden landfill reclamation	259,665	259,665
Spedden landfill post-closure monitoring	565,241	565,241
White Earth gravel pit	942,056	942,056
Sowka Lake gravel pit	201,869	201,869
	<u>\$ 3,256,255</u>	<u>\$ 3,256,255</u>

The Smoky Lake landfill asset retirement obligation expenditures are anticipated to be incurred in 2049.

The post-closure monitoring of the Smoky Lake landfill asset retirement obligation expenditures are anticipated to be incurred in annual increments of \$28,860 over 25 years, starting in 2050.

The Spedden landfill asset retirement obligation expenditures are anticipated to be incurred in 2044.

The post-closure monitoring of the Spedden landfill asset retirement obligation expenditures are anticipated to be incurred in annual increments of \$28,860 over 25 years, starting in 2045.

The gravel pits are both expected to be reclaimed in 2072.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

9. INVENTORY

	2023	2022
Public works	\$ 716,138	\$ 720,893
Gravel (valued at crushing cost)	2,644,987	2,843,381
A.S.B.	36,716	61,836
	3,397,841	3,626,110
Gas utility	164,283	81,621
	\$ 3,562,124	\$ 3,707,731

10. ACCUMULATED SURPLUS

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

	2023	2022
Unrestricted surplus	\$ 7,478,252	\$ 6,828,525
Restricted surplus		
Municipal reserve	52,423	50,133
Reserve - General Capital	2,754,091	3,754,412
Building	1,189,721	1,139,721
Connectivity	476,523	476,523
Fire	1,754,033	1,515,569
Transportation	954,609	988,096
Road development	1,819,552	1,681,762
Street sweeper	61,171	61,060
Gravel pit reclamation	472,542	467,012
Gravel pit development	122,711	115,628
Regional waterline	255,559	249,348
Regional landfill	344,160	294,160
Agricultural capital reserve	167,000	40,000
	10,424,095	10,833,424
Municipal general	2,047,358	2,306,327
Gas utility	2,205,094	2,184,973
Total restricted	14,676,547	15,324,724
Equity in tangible capital assets	35,949,173	36,754,520
	\$ 58,103,972	\$ 58,907,769

Opening unrestricted surplus was increased and equity in tangible capital assets was decreased for the asset retirement obligations of \$1,733,177.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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11. 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.

12. COMMITMENTS

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

13. 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>2023</u>	<u>2022</u>
Total debt limit	\$ 24,841,452	\$ 25,324,071
Total debt	-	-
Debt limit remaining	<u>\$ 24,841,452</u>	<u>\$ 25,324,071</u>
Debt servicing limit	\$ 4,140,242	\$ 4,220,678
Debt servicing	-	-
Debt service limit remaining	<u>\$ 4,140,242</u>	<u>\$ 4,220,678</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.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

14. 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)	2023
<b>Council</b>				
Reeve - Halisky	\$ 64,896	\$ 14,267	\$ 15,725	\$ 94,888
Councillor - Halisky	11,319	1,949	2,266	15,534
Reeve - Serven	12,979	2,331	1,862	17,172
Councillor - Serben	56,594	13,326	8,360	78,280
Councillor - Gawalko	70,681	12,172	13,099	95,952
Councillor - Fenerty	68,466	12,665	16,526	97,657
Councillor - Cere	67,913	14,791	9,213	91,917
	<b>\$ 352,848</b>	<b>\$ 71,501</b>	<b>\$ 67,051</b>	<b>\$ 491,400</b>
<b>Others</b>				
CAO - Sobolewski	\$ 262,960	\$ 14,465	\$ 2,404	\$ 279,829
Interim CAO - Cielin	102,961	13,236	233	116,430
Designated officers (3)	301,505	37,104	8,426	347,035
	<b>\$ 667,426</b>	<b>\$ 64,805</b>	<b>\$ 11,063</b>	<b>\$ 743,294</b>
	Salary (1)	Benefits & Allow (2)	Expenses (3)	2022
<b>Council</b>				
Reeve - Halisky	\$ 77,875	\$ 15,355	\$ 21,606	\$ 114,836
Councillor - Gawalko	71,234	11,646	16,895	99,775
Councillor - Fenerty	67,913	11,322	22,898	102,133
Councillor - Cere	67,913	13,830	13,410	95,153
Councillor - Serben	67,913	13,830	9,723	91,466
	<b>\$ 352,848</b>	<b>\$ 65,983</b>	<b>\$ 84,532</b>	<b>\$ 503,363</b>
<b>Others</b>				
CAO - Sobolewski	\$ 163,714	\$ 29,248	\$ 5,489	\$ 198,451
Designated officers (3)	243,742	25,047	3,375	272,164
	<b>\$ 407,456</b>	<b>\$ 54,295</b>	<b>\$ 8,864</b>	<b>\$ 470,615</b>

(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**  
**YEAR ENDED DECEMBER 31, 2023**

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15. 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 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.

	2023	2022
Current service contributions by employer	\$ 268,339	\$ 251,208
Current service contributions by employees	240,186	225,533
	\$ 508,525	\$ 476,741

The county is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$12.7 billion.

For further information of the amount of LAPP deficiency/surplus see: [www.lapp.ca/page/annual-reports](http://www.lapp.ca/page/annual-reports).

16. 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.

17. OTHER CREDIT FACILITIES

The county has a prime plus 1% authorized operating line of credit of \$5,000,000 with the Alberta Treasury Branch. No balance was outstanding as at December 31, 2023.

The county has ATB MasterCards with a combined limit of \$50,000. Interest is calculated on principal owing beyond one month at the rate of prime plus 2%.

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 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 county has recorded a total allowance of \$2,185,432 (2022 \$1,907,486). 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.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

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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. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

Conceptual Framework for Financial Reporting in the Public Sector

This standard describes the concepts underlying the development and use of accounting principles in government financial statements. It also identifies the objectives of government financial statements that are generally acceptable to the users and preparers of the statements. It applies to years beginning on or after April 1, 2026.

PSAS Section 1202, Financial Statement Presentation

This standard responds to the need for understandable financial statements. The new reporting model will consist of:

- a statement of financial position;
- a statement of net financial assets (net financial liabilities);
- a statement of operations;
- a statement of changes in net assets (net liabilities);
- a statement of cash flows; and
- accompanying notes and schedules.