

SMOKY LAKE COUNTY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019

INDEPENDENT AUDITOR'S REPORT

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, 2019, 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, 2019, 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
April 6, 2020

CHARTERED ACCOUNTANTS

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash (note 2)	\$ 15,830,959	\$ 14,400,681
Taxes and grants in place receivable (note 3)	690,355	794,678
Receivables from other governments	1,145,916	1,386,383
Trade and other receivables	1,013,899	852,797
Investment in Gas Alberta Inc. (note 4)	67,983	67,983
Investment in Corridor Communications Inc. (note 5)	<u>1,099,894</u>	<u>1,099,894</u>
	<u>19,849,006</u>	<u>18,602,416</u>
Liabilities		
Accounts payable and accrued liabilities	1,028,755	867,440
Employee obligations (note 6)	1,305,071	1,306,966
Deposit liabilities	269,395	269,395
Deferred revenue (note 7)	1,117,359	1,174,614
Tax sale surplus	4,307	4,227
Landfill closure and post-closure liability (note 8)	<u>263,500</u>	<u>248,000</u>
	<u>3,988,387</u>	<u>3,870,642</u>
Net financial assets	<u>15,860,619</u>	<u>14,731,774</u>
Non-financial assets		
Tangible capital assets (schedule 2)	38,595,683	40,184,654
Inventory (note 9)	2,968,775	2,588,300
Prepaid expenses	<u>231,782</u>	<u>217,304</u>
	<u>41,796,240</u>	<u>42,990,258</u>
Accumulated surplus (schedule 1, note 13)	\$ <u>57,656,859</u>	\$ <u>57,722,032</u>

Contingent liabilities (note 15)

ON BEHALF OF THE SMOKY LAKE COUNTY

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**SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Revenues			
Net municipal taxes (schedule 3)	\$ 9,698,970	\$ 9,684,252	\$ 9,648,991
Sales of goods and services	825,035	807,267	823,059
Government transfers for operating (schedule 4)	578,209	618,845	1,133,189
Investment income	298,312	377,187	334,636
Penalties and costs of taxes	74,095	217,030	146,823
Licenses and permits	59,830	88,058	90,201
Special levies and taxes	208,800	602,536	262,447
Insurance recoveries	70,000	87,218	70,575
Rentals and leases	32,650	28,892	26,288
Natural gas	<u>2,968,626</u>	<u>2,772,355</u>	<u>2,506,933</u>
	<u>14,814,527</u>	<u>15,283,640</u>	<u>15,043,142</u>
Expenses			
Legislative	544,303	511,324	471,621
Administration	2,183,285	2,348,636	1,987,544
Protective services	892,509	731,793	818,651
Transportation	7,912,781	7,372,004	7,242,550
Water and wastewater	573,352	539,337	533,353
Landfill	544,069	505,543	599,042
Further education	125,700	113,288	114,596
Agriculture services	869,183	734,336	768,323
Municipal planning, community and economic development	757,354	631,080	498,694
Recreation and culture	474,525	462,586	491,587
Natural gas	<u>2,944,379</u>	<u>2,727,196</u>	<u>2,417,810</u>
	<u>17,821,440</u>	<u>16,677,123</u>	<u>15,943,771</u>
Deficiency of revenues over expenses before other	(3,006,913)	(1,393,483)	(900,629)
Other			
Gain (loss) on disposal of tangible capital assets	254,000	(114,915)	(45,659)
Government transfers for capital (schedule 4)	<u>3,452,154</u>	<u>1,443,225</u>	<u>1,687,793</u>
Excess (deficiency) of revenues over expenses	699,241	(65,173)	741,505
Accumulated surplus, beginning of year	<u>57,722,032</u>	<u>57,722,032</u>	<u>56,980,527</u>
Accumulated surplus, end of year	\$ <u>58,421,273</u>	\$ <u>57,656,859</u>	\$ <u>57,722,032</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Excess (deficiency) of revenues over expenses	\$ <u>699,241</u>	\$ <u>(65,173)</u>	\$ <u>741,505</u>
Acquisition of tangible capital assets	(3,448,622)	(1,165,038)	(2,986,296)
Proceeds on disposal of tangible capital assets	254,000	315,082	79,007
Amortization of tangible capital assets	2,277,786	2,324,012	2,336,757
(Gain) loss on disposal of tangible capital assets	<u>(254,000)</u>	<u>114,915</u>	<u>45,659</u>
	<u>(1,170,836)</u>	<u>1,588,971</u>	<u>(524,873)</u>
Acquisition of inventory	(2,500,000)	(2,521,304)	(2,391,061)
Use of inventory	2,150,000	2,140,829	2,170,138
Acquisition of prepaid assets	(220,000)	(220,058)	(217,304)
Use of prepaid assets	<u>205,000</u>	<u>205,580</u>	<u>241,084</u>
	<u>(365,000)</u>	<u>(394,953)</u>	<u>(197,143)</u>
Increase (decrease) in net financial assets	(836,595)	1,128,845	19,489
Net financial assets, beginning of year	<u>14,731,774</u>	<u>14,731,774</u>	<u>14,712,285</u>
Net financial assets, end of year	\$ <u>13,895,179</u>	\$ <u>15,860,619</u>	\$ <u>14,731,774</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess (deficiency) of revenues over expenses	\$ (65,173)	\$ 741,505
Non-cash items included		
Amortization of tangible capital assets	2,324,012	2,336,757
Loss on disposal of tangible capital assets	114,915	45,659
Non-cash charges to operations (net change):		
Decrease (increase) in		
Taxes and grants in place receivable	104,323	(162,282)
Receivables from other governments	240,467	(412,447)
Trade and other receivables	(161,102)	(122,347)
Inventory	(380,475)	(220,923)
Prepaid expenses	(14,478)	23,780
Increase (decrease) in		
Accounts payable and accrued liabilities	161,315	250,721
Employee obligations	(1,895)	20,169
Deposit liabilities	--	1,050
Deferred revenue	(57,255)	765,888
Tax sale surplus	80	(3,017)
Landfill closure and post-closure	<u>15,500</u>	<u>27,890</u>
	<u>2,280,234</u>	<u>3,292,403</u>
Capital		
Acquisition of tangible capital assets	(1,165,038)	(2,986,296)
Proceeds on disposal of tangible capital assets	<u>315,082</u>	<u>79,007</u>
	<u>(849,956)</u>	<u>(2,907,289)</u>
Investing		
Decrease (increase) in restricted cash	<u>(59,772)</u>	<u>211,756</u>
Change in cash during the year	1,370,506	596,870
Cash, beginning of year	<u>14,238,287</u>	<u>13,641,417</u>
Cash, end of year	\$ <u>15,608,793</u>	\$ <u>14,238,287</u>
 Cash is made up of:		
Cash (note 2)	\$ 15,830,959	\$ 14,400,681
Less restricted portion	<u>(222,166)</u>	<u>(162,394)</u>
	\$ <u>15,608,793</u>	\$ <u>14,238,287</u>

SMOKY LAKE COUNTY
SCHEDULE 1 – CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Unrestricted Surplus</u>	<u>Restricted Surplus</u>	<u>Equity in Tangible Capital Assets</u>	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ <u>6,293,495</u>	\$ <u>11,243,883</u>	\$ <u>40,184,654</u>	\$ <u>57,722,032</u>	\$ <u>56,980,527</u>
Excess (deficiency) of revenues over expenses	(65,173)	--	--	(65,173)	741,505
Unrestricted funds designated for future use	(1,520,977)	1,520,977	--	--	--
Current year funds used for tangible capital assets	(1,165,038)	--	1,165,038	--	--
Disposal of tangible capital assets	429,997	--	(429,997)	--	--
Annual amortization expense	<u>2,324,012</u>	<u> </u>	<u>(2,324,012)</u>	<u> </u>	<u> </u>
Change in accumulated surplus	<u>2,821</u>	<u>1,520,977</u>	<u>(1,588,971)</u>	<u>(65,173)</u>	<u>741,505</u>
Balance, end of year	\$ <u>6,296,316</u>	\$ <u>12,764,860</u>	\$ <u>38,595,683</u>	\$ <u>57,656,859</u>	\$ <u>57,722,032</u>

**SMOKY LAKE COUNTY
SCHEDULE 2 - TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Engineered Structures</u>	<u>Machinery & Equipment</u>	<u>Vehicles</u>	<u>2019</u>	<u>2018</u>
Cost								
Balance, beginning of year	\$ 5,143,588	\$ 1,338,407	\$ 4,597,289	\$ 50,194,519	\$ 12,029,979	\$ 5,860,217	\$ 79,163,999	\$ 76,576,097
Acquisition of tangible capital assets	--	45,169	--	196,757	744,604	25,211	1,011,741	2,978,726
Construction-in-progress	--	--	--	153,297	--	--	153,297	7,570
Disposal of tangible capital assets	<u>--</u>	<u>(19,000)</u>	<u>--</u>	<u>(60,000)</u>	<u>(867,001)</u>	<u>--</u>	<u>(946,001)</u>	<u>(398,394)</u>
Balance, end of year	<u>5,143,588</u>	<u>1,364,576</u>	<u>4,597,289</u>	<u>50,484,573</u>	<u>11,907,582</u>	<u>5,885,428</u>	<u>79,383,036</u>	<u>79,163,999</u>
Accumulated amortization								
Balance, beginning of year	--	858,358	1,423,831	27,699,702	5,469,603	3,527,851	38,979,345	36,916,316
Annual amortization	--	56,566	78,912	1,257,572	641,298	289,664	2,324,012	2,336,757
Accumulated amortization on disposals	<u>--</u>	<u>(19,000)</u>	<u>--</u>	<u>(6,000)</u>	<u>(491,004)</u>	<u>--</u>	<u>(516,004)</u>	<u>(273,728)</u>
Balance, end of year	<u>--</u>	<u>895,924</u>	<u>1,502,743</u>	<u>28,951,274</u>	<u>5,619,897</u>	<u>3,817,515</u>	<u>40,787,353</u>	<u>38,979,345</u>
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>	<u>\$ 40,184,654</u>
2018 Net book value of tangible capital assets	<u>\$ 5,143,588</u>	<u>\$ 480,049</u>	<u>\$ 3,173,458</u>	<u>\$ 22,494,817</u>	<u>\$ 6,560,376</u>	<u>\$ 2,332,366</u>	<u>\$ 40,184,654</u>	

**SMOKY LAKE COUNTY
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budget</u> (unaudited)	<u>2019</u>	<u>2018</u>
Levies			
Residential and farmland	\$ 3,509,000	\$ 3,506,048	\$ 3,450,038
Non-residential	928,000	879,058	897,454
Machinery and equipment	1,241,000	1,241,523	1,403,382
Linear property	6,457,000	6,444,229	6,281,353
Grants in place	<u>66,000</u>	<u>66,593</u>	<u>60,662</u>
	<u>12,201,000</u>	<u>12,137,451</u>	<u>12,092,889</u>
Requisitions			
Alberta School Foundation Fund	1,974,195	1,925,363	1,926,718
Smoky Lake Foundation	502,965	502,965	506,340
Designated Industrial Property	<u>24,870</u>	<u>24,871</u>	<u>10,840</u>
	<u>2,502,030</u>	<u>2,453,199</u>	<u>2,443,898</u>
Net municipal taxes	\$ <u>9,698,970</u>	\$ <u>9,684,252</u>	\$ <u>9,648,991</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS

Transfers for operations			
Federal	\$ --	\$ 11,056	\$ 38,601
Provincial	494,746	548,801	1,033,811
Other local governments	<u>83,463</u>	<u>58,988</u>	<u>60,777</u>
	<u>578,209</u>	<u>618,845</u>	<u>1,133,189</u>
Transfers for capital			
Provincial	3,452,154	1,328,252	1,687,793
Other local governments	<u>--</u>	<u>114,973</u>	<u>--</u>
	<u>3,452,154</u>	<u>1,443,225</u>	<u>1,687,793</u>
Total government transfers	\$ <u>4,030,363</u>	\$ <u>2,062,070</u>	\$ <u>2,820,982</u>

SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT

Expenses			
Salaries, wages and benefits	\$ 7,752,885	\$ 7,278,337	\$ 6,946,278
Contracted and general services	3,144,699	2,332,674	2,728,508
Purchases from other governments	122,000	118,260	105,878
Materials, goods, supplies and utilities	2,516,385	2,575,304	2,387,303
Provision for allowances and bad debts	200,000	411,804	116,615
Transfers to other governments	54,000	46,677	51,486
Transfers to individuals and organizations	351,305	355,647	244,859
Bank charges and short-term interest	6,780	4,639	3,088
Tax adjustments	3,000	27,024	13,487
Natural gas purchases	1,392,600	1,202,745	1,009,512
Amortization of tangible capital assets	<u>2,277,786</u>	<u>2,324,012</u>	<u>2,336,757</u>
Total expenses	\$ <u>17,821,440</u>	\$ <u>16,677,123</u>	\$ <u>15,943,771</u>

SMOKY LAKE COUNTY
SCHEDULE 6 – SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation Services</u>	<u>Environmental Services</u>	<u>Agriculture</u>	<u>Planning, Community Services</u>	<u>Recreation and Culture</u>	<u>Gas</u>	<u>Total</u>
Revenues									
Net municipal taxes	\$ 9,684,252	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,684,252
Government transfers	122,091	37,223	1,225,860	130,000	185,459	122,302	117,259	121,876	2,062,070
User fees and sales of goods	141,138	179,863	225,824	261,236	3,469	2,640	--	2,673,387	3,487,557
Investment income	347,187	--	--	--	--	--	--	30,000	377,187
Other revenues	<u>202,699</u>	<u>350</u>	<u>593,496</u>	<u>9,041</u>	<u>--</u>	<u>198,428</u>	<u>19,720</u>	<u>92,065</u>	<u>1,115,799</u>
	<u>10,497,367</u>	<u>217,436</u>	<u>2,045,180</u>	<u>400,277</u>	<u>188,928</u>	<u>323,370</u>	<u>136,979</u>	<u>2,917,328</u>	<u>16,726,865</u>
Expenses									
Salaries, wages and benefits	1,393,389	318,397	3,268,809	516,565	421,251	262,422	194,334	903,170	7,278,337
Contract and general services	771,148	196,838	608,624	177,558	122,330	322,213	34,201	218,022	2,450,934
Goods and supplies	86,195	100,992	1,859,610	126,843	139,639	10,872	78,692	1,375,206	3,778,049
Transfers to others	111,786	--	--	46,677	--	148,861	95,000	--	402,324
Loss (gain) on disposal of assets	--	--	90,885	--	24,030	--	--	--	114,915
Other expenses	<u>440,806</u>	<u>--</u>	<u>--</u>	<u>1,922</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>739</u>	<u>443,467</u>
	<u>2,803,324</u>	<u>616,227</u>	<u>5,827,928</u>	<u>869,565</u>	<u>707,250</u>	<u>744,368</u>	<u>402,227</u>	<u>2,497,137</u>	<u>14,468,026</u>
Net revenue before amortization	7,694,043	(398,791)	(3,782,748)	(469,288)	(518,322)	(420,998)	(265,248)	420,191	2,258,839
Amortization expense	<u>(56,636)</u>	<u>(115,566)</u>	<u>(1,634,961)</u>	<u>(175,315)</u>	<u>(51,116)</u>	<u>--</u>	<u>(60,359)</u>	<u>(230,059)</u>	<u>(2,324,012)</u>
Excess (deficiency) of revenues over expenses	\$ <u>7,637,407</u>	\$ <u>(514,357)</u>	\$ <u>(5,417,709)</u>	\$ <u>(644,603)</u>	\$ <u>(569,438)</u>	\$ <u>(420,998)</u>	\$ <u>(325,607)</u>	\$ <u>190,132</u>	\$ <u>(65,173)</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 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, 2019

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, 2019

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, 2019

2. Cash	<u>2019</u>	<u>2018</u>
Petty cash	\$ 850	\$ 850
Current accounts	540,698	747,767
Savings accounts	15,285,104	13,647,837
Trust account	<u>4,307</u>	<u>4,227</u>
	<u>\$ 15,830,959</u>	<u>\$ 14,400,681</u>

Council has designated \$12,764,860 (2018 - \$11,243,883) to fund the reserves.

Included in cash is a restricted amount of \$222,166 (2018 - \$162,394) comprised of deferred revenue received and not expended (see Note 7).

3. Taxes and Grants in Place Receivable	<u>2019</u>	<u>2018</u>
Current	\$ 430,296	\$ 473,390
Arrears	1,145,616	780,042
Less allowance for doubtful accounts	<u>(885,557)</u>	<u>(458,754)</u>
	<u>\$ 690,355</u>	<u>\$ 794,678</u>

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>2019</u>	<u>2018</u>
Class A common shares	\$ 483	\$ 483
Loan receivable	<u>67,500</u>	<u>67,500</u>
	<u>\$ 67,983</u>	<u>\$ 67,983</u>

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.

5. Investment in Corridor Communications Inc.	<u>2019</u>	<u>2018</u>
657,829 Class B common shares	\$ 424,286	\$ 424,286
675,608 Class G preferred shares	<u>675,608</u>	<u>675,608</u>
	<u>\$ 1,099,894</u>	<u>\$ 1,099,894</u>

6. Employee Obligations	<u>2019</u>	<u>2018</u>
Accrued holiday pay	\$ 390,289	\$ 359,958
Accrued retirement benefits	106,663	104,763
Accrued wages	63,765	86,563
Accrued sick leave	<u>744,354</u>	<u>755,682</u>
	<u>\$ 1,305,071</u>	<u>\$ 1,306,966</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

7. Deferred Revenue	<u>2019</u>	<u>2018</u>
Federal Gas Tax Fund	\$ 411,198	\$ 263,104
Municipal Sustainability Initiative – Capital	646,226	876,486
Advanced Education	22,038	18,544
Natural gas sales	<u>37,897</u>	<u>16,480</u>
	<u>\$ 1,117,359</u>	<u>\$ 1,174,614</u>

Funding in the amount of \$2,092,075 was received 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. Unexpended funds related to these advances and other deferred revenue are supported by funds in savings accounts of \$222,166.

8. 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, 2018.

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 93,000 cubic metres. The existing landfill site is expected to reach capacity in approximately the year 2049.

The municipality has not designated assets for setting closure and post-closure liabilities.

	<u>2019</u>	<u>2018</u>
Estimated closure costs	\$ 399,840	\$ 392,000
Estimated post-closure costs	<u>390,660</u>	<u>383,000</u>
Estimated total liability	<u>\$ 790,500</u>	<u>\$ 775,000</u>
Estimated capacity remaining	67%	68%
Portion of total liability remaining to be recognized	<u>\$ 527,000</u>	<u>\$ 527,000</u>
Estimated capacity used	33%	32%
Accrued liability portion	<u>\$ 263,500</u>	<u>\$ 248,000</u>

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

9. Inventory	<u>2019</u>	<u>2018</u>
Public works	\$ 629,341	\$ 602,260
Gravel (valued at crushing cost)	2,205,242	1,916,406
A.S.B.	<u>24,864</u>	<u>16,719</u>
	2,859,447	2,535,385
Gas utility	<u>109,328</u>	<u>52,915</u>
	<u>\$ 2,968,775</u>	<u>\$ 2,588,300</u>

10. Contaminated Sites Liability

In 2018 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.

11. 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>2019</u>	<u>2018</u>
Total debt limit	\$ 23,097,919	\$ 22,564,713
Total debt	<u>---</u>	<u>---</u>
Debt limit remaining	\$ <u>23,097,919</u>	\$ <u>22,564,713</u>
Debt servicing limit	\$ 3,849,653	\$ 3,760,785
Debt servicing	<u>---</u>	<u>---</u>
Debt servicing limit remaining	\$ <u>3,849,653</u>	\$ <u>3,760,785</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.

12. 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, 2019.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

13. Accumulated Surplus

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

	<u>2019</u>	<u>2018</u>
Unrestricted surplus	\$ <u>6,296,316</u>	\$ <u>6,293,495</u>
Restricted surplus		
Capital		
Building	183,374	168,374
General	2,436,505	2,356,505
Regional landfill	527,946	470,901
Transportation	1,205,170	777,803
Gravel pit reclamation	447,929	438,440
Gravel pit development	83,203	64,673
Fire	1,317,452	1,076,430
Street sweeper	45,769	36,864
Regional waterline	261,233	259,988
Road development	1,484,363	855,195
Economic development	59,223	86,223
Municipal reserve	<u>41,762</u>	<u>39,122</u>
	8,093,929	6,630,518
Municipal general	2,751,676	3,012,895
Gas	<u>1,919,255</u>	<u>1,600,470</u>
Total restricted	<u>12,764,860</u>	<u>11,243,883</u>
Equity in tangible capital assets	<u>38,595,683</u>	<u>40,184,654</u>
	\$ <u>57,656,859</u>	\$ <u>57,722,032</u>

14. 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, 2019

15. 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.

16. Financial Instruments

The county's financial instruments consist of cash, receivables, long-term investments, loans receivable, accounts payable and accrued liabilities, and long-term debt. 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.

17. 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 266,000 people and 421 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 2019 were \$288,940 (2018 - \$305,347). Total current service contributions by the employees of the county to the LAPP in 2019 were \$262,555 (2018 - \$279,812).

At December 31, 2018, the LAPP disclosed an actuarial surplus of \$3.47 billion.

SMOKY LAKE COUNTY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

18. 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:

		2019		
		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 2019 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 Officer (contract)	Assessor	<u>\$ 129,569</u>	<u>\$ ---</u>	<u>\$ ---</u>
	Peace Officer	<u>\$ 98,686</u>	<u>\$ 20,208</u>	<u>\$ 3,402</u>
	Agricultural Services	<u>\$ 90,039</u>	<u>\$ 19,914</u>	<u>\$ 1,909</u>

		2018		
		Salary	Benefits & Allow.	Expenses
		(1)	(2)	(3)
Reeve	Lukinuk	\$ 67,555	\$ 13,883	\$ 29,495
Councillors	Orichowski	61,814	13,116	25,676
	Gawalko	58,944	9,428	27,088
	Cherniwchan	58,944	13,736	26,150
	Halisky	<u>58,944</u>	<u>12,736</u>	<u>21,899</u>
	Total 2019 legislative costs	<u>\$ 306,201</u>	<u>\$ 62,899</u>	<u>\$ 130,308</u>
Chief Administrative Officer	Ollikka	<u>\$ 154,098</u>	<u>\$ 31,868</u>	<u>\$ 9,078</u>
Designated Officer (contract)		<u>\$ 126,425</u>	<u>\$ ---</u>	<u>\$ ---</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, 2019

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

(a) PSAS Section 1201, Financial Statement Presentation

Revised standard is effective beginning on or after April 1, 2021, when sections PS2601 and PS3450 are adopted.

(b) PSAS Section 2601, Foreign Currency Transaction

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, 2021.

(c) 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, 2021, when sections PS1201, PS2601 and PS3450 are adopted.

(d) 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.

(e) 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, 2022.

(f) 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, 2021.