

**SMOKY LAKE COUNTY
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**



Smoky Lake County

P.O. Box 310
4612 McDougall Drive
Smoky Lake, Alberta T0A 3C0

Phone: 780-656-3730
1-888-656-3730

Fax: 780-656-3768
www.smokylakecounty.ab.ca

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Smoky Lake County is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this financial report. Management believes that the consolidated financial statements present fairly the County's financial position as at December 31, 2022 and the results of its operations for the year then ended.

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

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


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

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

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

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

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



Gene Sobolewski, CAO
April 13, 2023

INDEPENDENT AUDITOR'S REPORT

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, 2022, 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, 2022, 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.

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.

St Paul, Alberta
April 13, 2023


Chartered Professional Accountants

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	2022	2021
Financial assets		
Cash (Note 2)	\$ 19,590,124	\$ 19,614,278
Taxes and grants in place receivable (Note 3)	543,562	621,275
Receivables from other governments	2,366,568	2,421,153
Trade and other receivables	1,068,266	1,361,339
Investment in Gas Alberta Inc. (Note 4)	67,983	67,983
Investment in MCC for Smoky Lake Development Corp.	10,000	-
	<u>23,646,503</u>	<u>24,086,028</u>
Liabilities		
Accounts payable and accrued liabilities	2,286,651	2,362,830
Employee obligations (Note 5)	1,406,489	1,368,257
Deposit liabilities	221,124	221,524
Deferred revenue (Note 6)	1,475,784	2,132,220
Tax sale surplus	10,317	10,122
Asset retirement obligations (Note 7)	1,733,177	868,654
	<u>7,133,542</u>	<u>6,963,607</u>
Net financial assets	<u>16,512,961</u>	<u>17,122,421</u>
Non-financial assets		
Tangible capital assets (Schedule 2)	38,487,697	37,683,526
Inventory (Note 8)	3,707,731	3,675,856
Prepaid expenses	199,380	213,626
	<u>42,394,808</u>	<u>41,573,008</u>
Accumulated surplus (Schedule 1, Note 9)	<u>\$ 58,907,769</u>	<u>\$ 58,695,429</u>

CONTINGENT LIABILITIES (Note 10)

APPROVED BY:

 Reeve

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
Revenues			
Net municipal taxes <i>(Schedule 3)</i>	\$ 9,878,490	\$ 9,935,917	\$ 9,609,459
Sales of goods and services	789,980	886,789	856,506
Government transfers for operating <i>(Schedule 4)</i>	806,628	850,579	903,683
Investment income	212,000	416,691	139,911
Penalties and costs of taxes	80,000	348,891	217,247
Licenses and permits	68,000	115,337	76,412
Special levies and taxes	209,040	150,052	142,490
Insurance recoveries	79,560	77,703	64,330
Rentals and leases	51,900	43,482	51,522
Natural gas	2,845,300	3,941,420	3,437,998
	<u>15,020,898</u>	<u>16,766,861</u>	<u>15,499,558</u>
Expenses			
Legislative	512,428	498,982	475,990
Administration	2,943,904	2,298,953	2,241,187
Protective services	1,115,851	874,384	944,084
Transportation	9,417,049	7,554,348	7,549,022
Water and wastewater	614,550	635,410	595,267
Landfill	542,584	679,557	542,296
Further education	125,700	119,903	113,206
Agricultural services	926,592	868,553	807,861
Municipal planning, community and economic development	858,147	744,396	577,030
Recreation and culture	488,028	409,701	347,197
Natural gas	2,827,300	4,306,643	3,530,172
	<u>20,372,133</u>	<u>18,990,830</u>	<u>17,723,312</u>
Deficiency of revenues over expenses before other	<u>(5,351,235)</u>	<u>(2,223,969)</u>	<u>(2,223,754)</u>
Other			
Government transfers for capital <i>(Schedule 4)</i>	3,388,587	2,302,242	2,361,066
Gain (loss) on disposal of tangible capital assets	234,500	134,067	(97,570)
	<u>3,623,087</u>	<u>2,436,309</u>	<u>2,263,496</u>
Excess (deficiency) of revenues over expenses	<u>(1,728,148)</u>	<u>212,340</u>	<u>39,742</u>
Accumulated surplus, beginning of year	<u>58,695,429</u>	<u>58,695,429</u>	<u>58,655,687</u>
Accumulated surplus, end of year	<u>\$ 56,967,281</u>	<u>\$ 58,907,769</u>	<u>\$ 58,695,429</u>

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
Excess (deficiency) of revenues over expenses	\$ (1,728,148)	\$ 212,340	\$ 39,742
Amortization of tangible capital assets	2,256,800	2,300,112	2,291,363
Acquisition of tangible capital assets	(3,232,077)	(3,443,299)	(3,203,812)
Proceeds on disposal of tangible capital assets	234,500	473,082	72,289
Loss (gain) on disposal of tangible capital assets	(234,500)	(134,067)	97,570
	(975,277)	(804,172)	(742,590)
Increase in inventory	-	(31,874)	(155,423)
Decrease in prepaid expenses	-	14,246	33,703
	(975,277)	(821,800)	(864,310)
Decrease in net financial assets	(2,703,425)	(609,460)	(824,568)
Net financial assets - beginning of year	17,122,421	17,122,421	17,946,989
Net financial assets - end of year	\$ 14,418,996	\$ 16,512,961	\$ 17,122,421

SMOKY LAKE COUNTY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022	2021
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenues over expenses	\$ 212,340	\$ 39,742
Items not affecting cash:		
Amortization of tangible capital assets	2,300,112	2,291,363
Loss (gain) on disposal of tangible capital assets	(134,067)	97,570
	<u>2,378,385</u>	<u>2,428,675</u>
Changes in non-cash working capital:		
Taxes and grants in place receivable	77,713	(100,685)
Receivables from other governments	54,585	(997,386)
Trade and other receivables	293,073	(294,929)
Accounts payable and accrued liabilities	(76,178)	1,145,582
Employee obligations	38,232	(808)
Deposit liabilities	(400)	(10,091)
Deferred revenue	(656,436)	118,752
Tax sale surplus	195	53
Asset retirement obligations	864,523	456,966
Inventory	(31,875)	(155,423)
Prepaid expenses	14,246	33,703
	<u>577,678</u>	<u>195,734</u>
Net cash from operations	<u>2,956,063</u>	<u>2,624,409</u>
Capital		
Purchase of tangible capital assets	(3,443,299)	(3,203,812)
Proceeds on disposal of tangible capital assets	473,082	72,289
	<u>(2,970,217)</u>	<u>(3,131,523)</u>
Investing		
Shares in MCC for Smoky Lake Development Corp.	(10,000)	-
Change in restricted cash	404,229	(169,379)
	<u>394,229</u>	<u>(169,379)</u>
Net change in cash during the year	380,075	(676,493)
Cash - beginning of year	<u>18,522,067</u>	<u>19,198,560</u>
Cash - end of year	<u>\$ 18,902,142</u>	<u>\$ 18,522,067</u>
Cash consists of:		
Cash	\$ 19,590,124	\$ 19,614,278
Less restricted cash	(687,982)	(1,092,211)
	<u>\$ 18,902,142</u>	<u>\$ 18,522,067</u>

SMOKY LAKE COUNTY
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
Balance, beginning of year	\$ 6,001,637	\$ 15,010,266	\$ 37,683,526	\$ 58,695,429	\$ 58,655,687
Excess of revenues over expenses	212,340	-	-	212,340	39,743
Funds used for tangible capital assets	(2,959,063)	(484,236)	3,443,299	-	-
Annual amortization expense	2,300,112	-	(2,300,112)	-	-
Disposals of tangible capital assets	339,016	-	(339,016)	-	-
Funds designated for future use	(798,694)	798,694	-	-	-
Change in accumulated surplus	(906,289)	314,458	804,171	212,340	39,743
Balance, end of year	\$ 5,095,348	\$ 15,324,724	\$ 38,487,697	\$ 58,907,769	\$ 58,695,430

SMOKY LAKE COUNTY

SCHEDULE 2 - TANGIBLE CAPITAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2022	2021
Cost								
Balance, beginning of year	\$ 5,318,944	\$ 1,469,030	\$ 5,093,514	\$ 51,113,322	\$ 13,193,666	\$ 6,434,878	\$ 82,623,354	\$ 80,053,242
Acquisition of tangible capital assets	220,145	747,781	740,998	71,314	411,791	520,760	2,712,789	2,839,666
Construction in-progress	-	-	(252,273)	1,198,683	(215,900)	-	730,510	364,146
Disposal of tangible capital assets	-	-	-	-	(720,966)	(390,814)	(1,111,780)	(633,700)
Balance, end of year	5,539,089	2,216,811	5,582,239	52,383,319	12,668,591	6,564,824	84,954,873	82,623,554
Accumulated amortization								
Balance, beginning of year	-	1,001,012	1,676,732	31,372,177	6,839,025	4,050,882	44,939,828	43,112,306
Annual amortization	-	78,761	114,161	1,137,337	668,488	301,365	2,300,112	2,291,363
Accumulated amortization on disposals	-	-	-	-	(503,464)	(269,300)	(772,764)	(463,841)
Balance, end of year	-	1,079,773	1,790,893	32,509,514	7,004,049	4,082,947	46,467,176	44,939,828
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	\$ 37,683,526
2021 Net book value of tangible capital assets	\$ 5,318,944	\$ 468,018	\$ 3,416,782	\$ 19,741,145	\$ 6,354,641	\$ 2,383,996	\$ 37,683,526	

SMOKY LAKE COUNTY
SCHEDULE 3 - PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
Taxation			
Residential	\$ 2,928,778	\$ 2,981,937	\$ 2,796,582
Non-residential	1,220,845	1,166,997	943,604
Farmland	911,096	992,707	910,892
Machinery and equipment	1,116,699	1,138,096	1,082,114
Linear property	6,113,204	6,209,350	6,288,683
Grants in place	66,753	69,001	66,395
	<u>12,357,375</u>	<u>12,558,088</u>	<u>12,088,270</u>
Requisitions			
Alberta School Foundation Fund	1,987,085	2,085,670	1,987,085
Smoky Lake Foundation	468,927	514,064	468,927
Designated Industrial Property	22,873	22,437	22,799
	<u>2,478,885</u>	<u>2,622,171</u>	<u>2,478,811</u>
Net municipal taxes	<u>\$ 9,878,490</u>	<u>\$ 9,935,917</u>	<u>\$ 9,609,459</u>

SCHEDULE 4 - GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
Transfers for operations			
Federal grants	\$ 3,000	\$ 17,661	\$ 70,725
Provincial	712,915	769,067	733,007
Local governments	90,713	63,851	99,951
	<u>806,628</u>	<u>850,579</u>	<u>903,683</u>
Transfers for capital			
Provincial	<u>3,388,587</u>	<u>2,302,242</u>	<u>2,361,066</u>
Total government transfers	<u>\$ 4,195,215</u>	<u>\$ 3,152,821</u>	<u>\$ 3,264,749</u>

SMOKY LAKE COUNTY
SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget (Unaudited)	2022	2021
Expenses			
Salaries, wages and benefits	\$ 8,285,278	\$ 7,627,393	\$ 7,243,309
Contracted and general services	3,703,094	2,642,077	2,444,053
Purchases from other governments	250,404	248,007	212,750
Materials, goods, supplies and utilities	3,262,303	2,845,278	2,846,310
Provision for allowances and bad debts	-	207,802	249,747
Transfers to other governments	56,000	41,797	61,582
Transfers to individuals and organizations	1,351,304	304,226	310,057
Bank charges and short-term interest	5,950	7,728	5,260
Tax adjustments	3,000	39,663	116,631
Natural gas purchases	1,198,000	2,692,763	1,942,250
Amortization of tangible capital assets	2,256,800	2,300,112	2,291,363
Accretion expense	-	33,984	-
Total expenses	\$ 20,372,133	\$ 18,990,830	\$ 17,723,312

SMOKY LAKE COUNTY

**SCHEDULE 6 - SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Community Services	Agriculture	Recreation and Culture	Gas	2022
Revenues									
Net municipal taxes	\$ 9,935,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,935,917
User fees (rentals and sales)	124,779	171,026	202,677	318,368	77,511	226	35,685	3,941,420	4,871,692
Government transfers for operating	230,154	51,881	-	-	310,982	138,907	118,655	-	850,579
Investment income	385,491	-	-	-	-	-	-	31,200	416,691
Other operating revenues	436,444	200	150,358	9,040	95,940	-	-	-	691,982
Government transfers for capital	413,354	-	1,888,888	-	-	-	-	-	2,302,242
Gain (loss) on disposal of TCA's	-	-	114,348	9,305	-	10,784	-	(370)	134,067
	11,526,139	223,107	2,356,271	336,713	484,433	149,917	154,340	3,972,250	19,203,170
Expenses									
Salaries, wages and benefits	1,505,550	262,335	3,302,691	603,253	303,111	560,464	148,400	941,589	7,627,393
Contracted and general services	803,917	390,280	661,113	282,102	403,403	102,970	29,432	216,866	2,890,083
Goods and supplies	111,426	105,459	2,052,211	148,678	388	157,746	57,662	2,904,470	5,538,040
Transfers to others	33,707	-	-	41,797	155,919	-	114,600	-	346,023
Other expenses	248,437	-	13,007	27,432	-	-	-	303	289,179
	2,703,037	758,074	6,029,022	1,103,262	862,821	821,180	350,094	4,063,228	16,690,718
Net revenue before amortization	8,823,102	(534,967)	(3,672,751)	(766,549)	(378,388)	(671,263)	(195,754)	(90,978)	2,512,452
Amortization expense	(95,968)	(116,339)	(1,525,325)	(211,677)	-	(60,965)	(46,423)	(243,415)	(2,300,112)
Excess (deficiency) of revenues over expenses	\$ 8,727,134	\$ (651,306)	\$ (5,198,076)	\$ (978,226)	\$ (378,388)	\$ (732,228)	\$ (242,177)	\$ (334,393)	\$ 212,340

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

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.

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SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

1. Significant Accounting Policies *(continued)*

Cash

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

Investments

Investments are recorded at amortized cost.

Requisition Over-levy and Under-levy

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

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

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

Tax Revenue

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

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

Government Transfers

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

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

Asset Retirement Obligations

Pursuant to the Alberta Environmental Protection and Enhancement Act, the county is required to fund the closure of its landfill sites and provide for post-closure care of the facilities. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection.

A liability for asset retirement obligations is also recognized to cover the costs of restoring the gravel pits when the county pulls out.

The asset retirement obligation is measured at management's best estimate of the expenditure that would be required to settle the present obligation for future removal and site restoration costs. When changes to the obligation result from the passage of time they are reported as an expense of the current period, and when they arise from changes in assumptions about the expected future removal and site restoration costs, the change is recorded as a change in the carrying value of the related asset.

(continues)

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

1. Significant Accounting Policies *(continued)*

Non-Financial Assets

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

1. Tangible Capital Assets

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

	<u>Years</u>
Land improvements	10-27
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.

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

2. CASH

	2022	2021
Petty cash	\$ 850	\$ 850
Current accounts	1,863,225	1,025,209
Savings accounts	17,715,698	18,578,097
Trust account	10,351	10,122
	\$ 19,590,124	\$ 19,614,278

Council has designated \$15,324,724 (2021 - \$15,010,264) to fund the reserves.

Included in cash is a restricted amount of \$687,982 (2021 - \$1,092,211) comprised of deferred grants received and not expended (see Note 6).

3. TAXES AND GRANTS IN PLACE RECEIVABLE

	2022	2021
Current	\$ 375,129	\$ 543,719
Arrears	2,030,919	1,653,300
Less allowance for doubtful accounts	(1,862,486)	(1,575,744)
	\$ 543,562	\$ 621,275

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.

	2022	2021
<u>The county's investment consists of</u>		
Class A common shares	\$ 483	\$ 483
Loan receivable	67,500	67,500
	\$ 67,983	\$ 67,983

The loan is non-interest bearing and is secured by a debenture. The loan 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. EMPLOYEE OBLIGATIONS

	2022	2021
Accrued holiday pay	\$ 473,703	\$ 482,775
Accrued sick leave	714,156	719,292
Accrued retirement benefits	129,665	82,555
Accrued wages and benefits	88,965	83,635
	\$ 1,406,489	\$ 1,368,257

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

6. DEFERRED REVENUE

	2022	2021
Federal Gas Tax Fund	\$ 443,308	\$ 613,784
MSI Capital	825,357	1,040,009
ACP-Intermunicipal Collaboration-Regional Fire	40,971	66,578
ACP - Municipal Development Guidelines	102,850	-
Alberta Infrastructure - AEP	20,000	-
Advanced Education	15,107	21,180
Municipal Stimulus Program	-	292,537
Parks Canada	28,191	-
ACP-Intermunicipal Collaboration-GIS	-	74,805
Family and Community Support Services	-	23,327
	\$ 1,475,784	\$ 2,132,220

Unexpended funding in the amount of \$1,475,784 (2021 - \$2,132,220) 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 \$687,982 (2021 - \$1,092,211) and the remaining deferred grants are supported by receivables from other governments.

7. 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 which have not been added to the cost of an asset as the the land is not amortized.

The liabilities are increased annually by the accretion expense.

	Opening Balance	Liability Incurred	Accretion Expense	Total
Smoky Lake landfill reclamation	\$ -	\$ 424,150	\$ 8,483	\$ 432,633
Smoky Lake landfill post-closure monitoring	-	323,630	6,473	330,103
Spedden landfill reclamation	150,000	17,962	3,359	171,321
Spedden landfill post-closure monitoring	293,654	64,797	7,169	365,620
White Earth gravel pit	350,000	-	7,000	357,000
Sowka Lake gravel pit	75,000	-	1,500	76,500
	\$ 868,654	\$ 830,539	\$ 33,984	\$ 1,733,177

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.

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

7. ASSET RETIREMENT OBLIGATIONS (*continued*)

	2022	2021
<u>Undiscounted Expenditures</u>		
Smoky Lake landfill reclamation	\$ 723,976	\$ -
Smoky Lake landfill post-closure monitoring	563,448	-
Spedden landfill reclamation	259,665	-
Spedden landfill post-closure monitoring	565,241	-
White Earth gravel pit	942,056	-
Sowka Lake gravel pit	201,869	-
	\$ 3,256,255	\$ -

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.

8. INVENTORY

	2022	2021
Public works	\$ 720,894	\$ 616,609
Gravel (valued at crushing cost)	2,843,381	2,895,206
A.S.B.	61,835	46,316
	3,626,110	3,558,131
Gas utility	81,621	117,725
	\$ 3,707,731	\$ 3,675,856

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

9. ACCUMULATED SURPLUS

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

	2022	2021
Unrestricted surplus	\$ 5,095,348	\$ 6,001,637
Restricted surplus		
Municipal reserve	50,133	47,295
Economic development	-	59,223
General capital	3,754,412	3,461,875
Building	1,139,721	1,197,539
Connectivity	476,523	476,523
Fire	1,515,569	1,342,334
Transportation	988,096	1,224,496
Road development	1,681,762	1,623,575
Street sweeper	61,060	61,060
Gravel pit reclamation	467,012	462,922
Gravel pit development	115,628	107,874
Regional waterline	249,348	261,233
Regional landfill	294,160	249,160
Agricultural capital reserve	40,000	-
	10,833,424	10,575,109
Municipal general	2,306,327	2,354,858
Gas utility	2,184,973	2,080,299
	15,324,724	15,010,266
Total restricted	15,324,724	15,010,266
Equity in tangible capital assets	38,487,697	37,683,526
	\$ 58,907,769	\$ 58,695,429

10. CONTINGENT LIABILITIES

Evergreen Regional Waste Management Services Commission

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

Highway 28/63 Regional Water Services Commission

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

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

11. COMMITMENTS

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

In 2020 Council committed a \$600,000 contribution, towards a municipal controlled corporation with the Town of Smoky Lake, to further economic development. In 2022, \$10,000 was invested in the shares of MCC for Smoky Lake Development Corp.

12. DEBT LIMITS

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

	2022	2021
Total debt limit	\$ 25,324,071	\$ 23,249,337
Total debt	-	-
Debt limit remaining	\$ 25,324,071	\$ 23,249,337
Debt servicing limit	\$ 4,220,678	\$ 3,874,889
Debt servicing	-	-
Debt service limit remaining	\$ 4,220,678	\$ 3,874,889

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, 2022

13. SALARY AND BENEFITS DISCLOSURE

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

	Salary (1)	Benefits & Allow. (2)	Expenses (3)	2022
<u>Council</u>				
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
	<u>\$ 352,848</u>	<u>\$ 65,983</u>	<u>\$ 84,532</u>	<u>\$ 503,363</u>
<u>Others</u>				
CAO - Sobolewski	\$ 163,714	\$ 29,248	\$ 5,489	\$ 198,451
Designated officers (3)	243,742	25,047	3,375	272,164
	<u>\$ 407,456</u>	<u>\$ 54,295</u>	<u>\$ 8,864</u>	<u>\$ 470,615</u>

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

(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, 2022

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the county participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 282,000 people and 435 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 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.8% 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 11.8% on pensionable salary above this amount.

Total current service contributions by the county to the LAPP in 2022 were \$251,208 (2021 - \$283,806). Total current service contributions by the employees of the county to the LAPP in 2022 were \$225,533 (2021 - \$257,652).

At December 31, 2021, the LAPP disclosed an actuarial surplus of \$11.9 billion.

15. SEGMENTED DISCLOSURE

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

Refer to Schedule 6 – Segmented Disclosure.

16. 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, 2022.

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

17. FINANCIAL INSTRUMENTS

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

The county is subject to credit risk with respect to taxes and grants in place 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 \$1,907,486 (2021 \$1,612,744). The large number and diversity of taxpayers and customers minimizes the credit risk.

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

SMOKY LAKE COUNTY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

19. BUDGET AMOUNTS

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

20. 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 3160, Public Private Partnerships

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

PSAS Section 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.