

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2021

TOWN OF SMOKY LAKE
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Year Ended December 31, 2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The financial statements have been prepared in compliance with legislation and in accordance with Public Sector Accounting Standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the 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, 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 financial statements.

The Town Council carries out its responsibilities for review of the financial statements principally through its Council meetings. Council meets 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 Town Council has approved the financial statements.

The consolidated financial statements have been audited by Seniuk and Company, independent external auditors, appointed by the Town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

The consolidated financial statements have been audited on behalf of the Members of Council by Seniuk and Company in accordance with Canadian public sector accounting standards (PSAS).

Original Signed.

Mr. Adam Kozakiewicz, CAO

Smoky Lake, Alberta
April 25, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Smoky Lake

Opinion

We have audited the consolidated financial statements of Town of Smoky Lake (the Town), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows 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 Town as at December 31, 2021, and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (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 Town 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town'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.

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Independent Auditor's Report to the Members of Council of Town of Smoky Lake (*continued*)

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 Town'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 Town'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 Town 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.

Report on Other Legal and Regulatory Requirements

As required by the Alberta Municipal Governance Act, we also report the following:

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, we confirm that the Municipality is in compliance with the Debt Limit Regulation. A detailed account of the entity's debt limit can be found in Note 10.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, we confirm that the Municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 14.

The engagement partner on the audit resulting in this Independent Auditor's Report is Laura Marcato CPA, CA.

Edmonton, Alberta
April 25, 2022

Seniuk & Company
**Seniuk and Company,
Chartered Professional Accountants**

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2021

	2021	2020
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,579,730	\$ 1,406,937
Restricted cash <i>(Note 2)</i>	424,194	639,005
Property taxes and grants in place of taxes receivable <i>(Note 3)</i>	217,988	205,646
Grants and receivables from other governments <i>(Note 4)</i>	1,228,774	508,802
Trade and other receivables	379,959	272,263
Notes receivable <i>(Note 5)</i>	256,286	281,967
	4,086,931	3,314,620
LIABILITIES		
Accounts payable	581,830	449,863
Deposits received	50	10,060
Deferred income <i>(Note 7)</i>	1,030,010	913,145
Long term debt <i>(Note 9)</i>	548,745	388,324
Contaminated site liability <i>(Note 16)</i>	39,950	39,950
	2,200,585	1,801,342
NET FINANCIAL ASSETS	1,886,346	1,513,278
NON-FINANCIAL ASSETS		
Inventory for consumption	106,211	66,147
Prepaid expenses	20,758	29,019
Tangible capital assets <i>(Note 6)</i>	8,737,219	8,316,381
	8,864,188	8,411,547
ACCUMULATED SURPLUS	\$ 10,750,534	\$ 9,924,825

APPROVED ON BEHALF OF COUNCIL

Original Signed. _____ *Mayor*

Original Signed. _____ *Councilor*

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2021

	Budget (Unaudited) 2021	2021	2020
REVENUES			
Net municipal taxes (Schedule 1)	\$ 1,073,666	\$ 1,003,019	\$ 1,017,035
User fees	2,058,198	2,113,818	1,834,244
Government transfers for operating (Schedule 2)	171,892	591,129	330,446
Investment income	35,700	9,160	17,228
Penalties and costs of taxes	43,350	48,330	41,144
Licenses and permits	8,140	96,925	14,710
Rentals	9,918	12,140	10,800
Franchise fees & concession contracts	88,408	84,100	82,498
Other	52,702	12,560	10,394
	3,541,974	3,971,181	3,358,499
EXPENSES			
Administration and legislative	580,681	564,652	632,396
Protective services	128,686	121,856	119,532
Transportation services	801,059	885,198	908,920
Environmental services	850,023	1,109,416	992,689
Gas and solar services	508,772	728,697	559,060
Land use planning, zoning and development	197,902	217,438	118,999
Family and community support	148,460	117,801	146,920
Recreation and culture	149,933	144,674	155,810
	3,365,516	3,889,732	3,634,326
SURPLUS (DEFICIT) FROM OPERATIONS	176,458	81,449	(275,827)
OTHER INCOME (EXPENSES)			
Government transfers for capital (Schedule 2)	-	626,951	621,743
Local Improvements	-	-	55,919
Gain on disposal of tangible capital assets	-	117,309	-
	-	744,260	677,662
ANNUAL SURPLUS	176,458	825,709	401,835
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	9,924,825	9,522,990
ACCUMULATED SURPLUS - END OF YEAR	\$ 176,458	\$ 10,750,534	\$ 9,924,825

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2021

	Budget 2021	2021	2020
ANNUAL SURPLUS	\$ 176,458	\$ 825,709	\$ 401,835
Amortization of tangible capital assets	-	484,172	466,346
Purchase of tangible capital assets	-	(907,701)	(697,501)
Proceeds on disposal of tangible capital assets	-	120,000	-
Loss (gain) on disposal of assets	-	(117,309)	-
Decrease in prepaid expenses	-	8,262	19,669
Decrease (increase) in inventory for consumption	-	(40,065)	6,719
	-	(452,641)	(204,767)
INCREASE IN NET FINANCIAL ASSETS	176,458	373,068	197,068
NET FINANCIAL ASSETS - BEGINNING OF YEAR	-	1,513,278	1,316,210
NET FINANCIAL ASSETS - END OF YEAR	\$ 176,458	\$ 1,886,346	\$ 1,513,278

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Annual surplus for the year	\$ 825,709	\$ 401,835
Items not affecting cash:		
Amortization of tangible capital assets	484,172	466,346
Gain on disposal of tangible capital assets	(117,309)	-
	1,192,572	868,181
Changes in non-cash working capital:		
Trade and other receivables	(107,696)	(4,335)
Grants and receivables from other governments	(719,972)	(319,557)
Taxes and grants in place of taxes	(12,342)	73,652
Accounts payable	131,968	30,374
Deferred income	116,865	(46,881)
Prepaid expenses	8,261	19,669
Inventory for consumption	(40,064)	6,721
Deposits received	(10,010)	10
	(632,990)	(240,347)
Cash flow from operating activities	559,582	627,834
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(907,701)	(697,501)
Proceeds on disposal of tangible capital assets	120,000	-
Repayment of loans and notes receivable	25,680	32,014
Addition to loans and notes receivable	-	(55,919)
Cash flow used by capital activities	(762,021)	(721,406)
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	214,811	272,194
Repayment of contaminated site liability	-	(23,985)
Proceeds from long term financing	226,250	-
Repayment of long term debt	(65,829)	(76,345)
Cash flow from investing activities	375,232	171,864
INCREASE IN CASH FLOW	172,793	78,292
Cash - beginning of year	1,406,937	1,328,645
CASH - END OF YEAR (Note 2)	\$ 1,579,730	\$ 1,406,937

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Property and Other Taxes

(Schedule 1)

Year Ended December 31, 2021

	Budget (Unaudited) 2021	2021	2020
TAXATION			
Real property tax	\$ 1,329,622	\$ 1,261,927	\$ 1,284,770
Linear property taxes	43,902	40,609	43,902
Grants in lieu of property taxes	20,141	11,107	12,692
	1,393,665	1,313,643	1,341,364
REQUISITIONS			
Alberta school foundation	260,000	250,956	259,812
Seniors' housing requisition	60,000	59,668	64,517
	320,000	310,624	324,329
NET MUNICIPAL TAXES	\$ 1,073,665	\$ 1,003,019	\$ 1,017,035

Consolidated Schedule of Government Transfers

(Schedule 2)

	Budget (Unaudited) 2021	2021	2020
TRANSFERS FOR OPERATING			
Provincial Government	\$ 171,892	\$ 591,129	\$ 330,446
	171,892	591,129	330,446
TRANSFERS FOR CAPITAL			
Provincial Government	-	626,951	621,743
TOTAL GOVERNMENT TRANSFERS	\$ 171,892	\$ 1,218,080	\$ 952,189

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE**Consolidated Schedule of Expenditures by Object****(Schedule 3)****Year Ended December 31, 2021**

	Budget (Unaudited) 2021	2021	2020
EXPENSES			
Contracted and general services	\$ 1,217,741	\$ 1,421,010	\$ 1,271,555
Salaries, wages & benefits	982,025	994,136	1,010,376
Materials, goods and utilities	809,443	880,591	761,315
Transfer to local boards and agencies	113,000	100,243	113,288
Interest on long term	15,173	9,580	11,446
Amortization	-	484,172	466,346
Total Expenditures by Object	\$ 3,137,382	\$ 3,889,732	\$ 3,634,326

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2021

(Schedule 4)

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2021	Total 2020
BALANCE, BEGINNING OF YEAR	\$ 516,182	\$ 1,480,588	\$ 7,928,056	\$ 9,924,825	\$ 9,522,990
Excess (deficiency) of revenues over expenses	825,709	-	-	825,709	401,835
Current year funds used to purchase of tangible capital assets	(907,701)	-	907,701	-	-
Annual amortization expense	484,172	-	(484,172)	-	-
Principle repayments on long term debt	(65,829)	-	65,829	-	-
Disposal of tangible capital assets net of proceeds	2,691	-	(2,691)	-	-
Proceeds on new loans for tangible capital asset purchases	226,250	-	(226,250)	-	-
Transfer to the gas system reserve	(212,000)	212,000	-	-	-
Transfer to the land reserve	(120,000)	120,000	-	-	-
Transfer to the capital reserve	(176,000)	176,000	-	-	-
	57,292	508,000	260,417	825,709	401,835
BALANCE, END OF YEAR	\$ 573,474	\$ 1,988,588	\$ 8,188,473	\$ 10,750,534	\$ 9,924,825

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

**Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2021**

(Schedule 5)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	2021
REVENUE							
Net municipal taxes	\$ 1,003,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,003,017
Government transfers	10,714	114,590	28,831	21,995	161,554	253,446	591,130
User fees and sales of goods	52,006	-	445	-	-	2,048,810	2,101,261
Investment income	9,160	-	-	-	-	-	9,160
Other revenues	245,740	11,285	-	1,880	5,355	2,353	266,613
	1,320,637	125,875	29,276	23,875	166,909	2,304,609	3,971,181
EXPENSES							
Contract and general services	196,768	50,061	85,362	115,981	16,489	956,349	1,421,010
Salaries and wages	257,883	23,000	338,460	41,540	12,150	321,103	994,136
Materials, goods and utilities	59,365	30,465	209,105	1,083	13,321	567,252	880,591
Transfers to local boards	17,701	-	-	-	82,542	-	100,243
Amortization	32,936	18,330	246,106	-	20,172	166,628	484,172
Interest on long term	-	-	6,164	1,038	-	2,378	9,580
	564,653	121,856	885,197	159,642	144,674	2,013,710	3,889,732
Excess (deficiency) of revenue over expenses before other	755,984	4,019	(855,921)	(135,767)	22,235	290,899	81,449
OTHER							
Government transfers for capital	18,653	-	289,780	143,616	174,902	-	626,951
Gain (loss) on disposal of capital assets	117,309	-	-	-	-	-	117,309
	135,962	-	289,780	143,616	174,902	-	744,260
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 891,946	\$ 4,019	\$ (566,141)	\$ 7,849	\$ 197,137	\$ 290,899	\$ 825,709

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Tangible Capital Assets
(Schedule 6)
Year Ended December 31, 2021

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2021				
Cost				
Land	\$ 953,699	\$ 11,550	\$ (2,691)	\$ 962,558
Land improvements	558,813	-	-	558,813
Buildings	603,691	207,908	-	811,599
Machinery and equipment	2,162,530	19,462	-	2,181,992
Motor vehicles	449,746	50,000	-	499,746
Engineered structures - Sewer	2,973,497	-	-	2,973,497
Engineered structures - roadways	7,135,085	21,164	-	7,156,249
Assets under construction	59,382	174,902	(59,382)	174,902
Engineered structures - Gas	1,311,367	-	-	1,311,367
Engineered structures - Water	4,861,308	115,500	-	4,976,808
Engineered Structures - Solar	-	366,599	-	366,599
	21,069,118	967,085	(62,073)	21,974,130
Accumulated Amortization				
Land improvements	(250,465)	(19,404)	-	(269,869)
Buildings	(258,794)	(17,877)	-	(276,671)
Motor vehicles	(305,821)	(24,368)	-	(330,189)
Machinery and equipment	(1,487,046)	(113,121)	-	(1,600,167)
Engineered structures - roadways	(5,371,624)	(180,457)	-	(5,552,081)
Engineered structures - Sewer	(1,891,087)	(55,661)	-	(1,946,748)
Engineered structures - Water	(1,921,534)	(61,914)	-	(1,983,448)
Engineered structures - Gas	(1,266,366)	(5,262)	-	(1,271,628)
Engineered structures - Solar	-	(6,110)	-	(6,110)
	(12,752,737)	(484,174)	-	(13,236,911)
Net Book Value	\$ 8,316,381	\$ 482,911	\$ (62,073)	\$ 8,737,219

(continues)

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Tangible Capital Assets (continued)
(Schedule 6)
Year Ended December 31, 2021

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2020				
Cost				
Land	\$ 953,699	\$ -	\$ -	\$ 953,699
Land improvements	558,813	-	-	558,813
Buildings	603,691	-	-	603,691
Motor vehicles	439,413	10,333	-	449,746
Assets under construction	-	59,383	-	59,383
Machinery and equipment	2,141,026	21,504	-	2,162,530
Engineered structures - roadways	6,529,800	605,284	-	7,135,084
Engineered structures - Sewer	2,973,497	-	-	2,973,497
Engineered structures - Water	4,860,310	998	-	4,861,308
Engineered structures - Gas	1,311,367	-	-	1,311,367
	20,371,616	697,502	-	21,069,118
Accumulated Amortization				
Land improvements	(229,618)	(20,846)	-	(250,464)
Buildings	(242,996)	(15,798)	-	(258,794)
Motor vehicles	(281,618)	(24,203)	-	(305,821)
Machinery and equipment	(1,373,864)	(113,183)	-	(1,487,047)
Engineered structures - roadways	(5,206,439)	(165,185)	-	(5,371,624)
Engineered structures - Sewer	(1,835,426)	(55,661)	-	(1,891,087)
Engineered structures - Water	(1,860,403)	(61,131)	-	(1,921,534)
Engineered structures - Gas	(1,256,027)	(10,339)	-	(1,266,366)
	(12,286,391)	(466,346)	-	(12,752,737)
Net Book Value	\$ 8,085,225	\$ 231,156	\$ -	\$ 8,316,381

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year which are shown in their respective asset classifications.

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Smoky Lake (the Town) are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS). It is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA). Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the Town of Smoky Lake (the Town). The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are; therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality is the following:

Town of Smoky Lake Mineral Rights Development Company Ltd.

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. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

Tax Revenue

Annually, the Town bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by the Town Council in accordance with legislation and the Town Council approved policies to raise the tax revenue required to meet the Town's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Schedule of Property and Other Taxes.

The Town also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Schedule of Property and Other Taxes (Schedule 1).

Cash and Short Term Investments

Cash and cash equivalents consist of cash on deposit, bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These cash equivalents generally mature within 90 days from the date of purchase, are capable of reasonably prompt liquidation and may be used to manage the Town's cash position throughout the year.

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TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. 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.

Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The Town receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the Town are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, has been met except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received along with restricted interest thereon are recorded as deferred revenue.

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 financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates include:

- Estimated accrued receivables.
- Collectibility of accounts receivables.
- Useful lives for tangible capital assets.
- Assessment of impairment of long term assets.
- Estimated accrued payables.

Deferred Revenue

Deferred revenue comprises funds received in advance of services performed or where the use of funds is externally restricted. These amounts are recognized as revenue in the period the service is performed or when the funds are used for the purpose specified. When agreements stipulate that interest earned on contributions should be restricted for a specific purpose that interest is treated as a contribution received and recorded as an addition to deferred revenue.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Debt Charges Recoverable

Debt recoverable consists of long term debt amounts borrowed that are recoverable under loans or other financial arrangements made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long term debt balances as at December 31. Loans are recorded at the lower of cost and net recoverable value. A valuation allowance in the debt recoverable is recognized when there is no longer any reasonable assurance of collection.

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.

Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

Local Improvements

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owners' share of the improvement is recognized as revenue and established as a receivable in the period that the project expenditures are completed.

Deposits

Deposits are held for the purposes of securing the compliance of a third party to contractual stipulations. Deposits are returned when compliance with contractual stipulations is determined. Deposits are recognized as revenue when a third party defaults on the contractual stipulations that the deposits were securing against.

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.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-Financial Assets

Non-financial assets are not available to discharge 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. Non-financial assets include tangible capital assets, inventory of materials and supplies, and other assets.

Tangible Capital Assets

Tangible capital assets are stated at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less accumulated amortization of the tangible capital assets, is amortized on a straight-line basis at the following rates:

Land improvements	15 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Engineered structures	5 - 75 years

The Town regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Impairment of Long Lived Assets

The Town tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

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.

Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

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.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Reserves and Equity in Tangible Capital Assets

Certain amounts, as approved by Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets after deducting the portion financed by long term debt.

2. CASH, TEMPORARY INVESTMENTS, AND RESTRICTED CASH

	2021	2020
Cash and temporary investments	\$ 1,579,730	\$ 1,406,937
Restricted portion of cash	424,194	639,005
	\$ 2,003,924	\$ 2,045,942

Temporary investments are short term deposits with original maturities of one year or less.

Restricted amounts received from municipal grants and are held exclusively for future approved projects. (Note 7)

3. PROPERTY TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

Taxes receivable are comprised of:

	2021	2020
Current property taxes and grants in place of taxes	\$ 124,117	\$ 134,640
Arrears property taxes and grants in place of taxes	93,871	71,006
	\$ 217,988	\$ 205,646

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2021	2020
Grants receivable	\$ 1,201,306	\$ 502,012
Goods and services tax refundable	27,468	6,790
	\$ 1,228,774	\$ 508,802

5. NOTES RECEIVABLE

	2021	2020
Local improvement note receivable - Paving 51 & 52 St. loan receivable bearing interest at 2.48% per annum, repayable in		

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

5. NOTES RECEIVABLE *(continued)*

annual blended total payment of \$9,066. The note matures on December 31, 2031 and is secured by the property of each resident	\$ 68,340	\$ 75,934
Local improvement note receivable - Paving 53A, 54 & 55 Ave. loan receivable bearing interest at 2.498% per annum, repayable in annual blended total payment of \$11,521. The note matures on December 31, 2031 and is secured by the property of each resident.	86,092	95,657
Local improvement note receivable - Southside Sewer loan receivable bearing interest at 2.498% per annum, repayable in annual blended total payment of \$6,392. The note matures on December 31, 2031 and is secured by the property of each resident.	51,527	57,252
Local improvement note receivable - Paving - 52 Ave loan receivable bearing interest at 2.464% per annum, repayable in monthly blended payments of \$3,811. The loan matures on December 31, 2039 and is secured by the property of each resident.	50,327	53,123
	\$ 256,286	\$ 281,966

Principal repayment terms are approximately:

2022	\$ 25,680
2023	25,680
2024	25,680
2025	25,680
2026	25,680
Thereafter	127,886
	<u>\$ 256,286</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 962,558	\$ -	\$ 962,558	\$ 953,699
Land improvements	558,813	269,868	288,945	308,348
Engineered structures - roadways	7,156,248	5,552,081	1,604,167	1,763,461
Buildings	811,598	276,672	534,926	344,897
Machinery and equipment	2,181,992	1,600,167	581,825	675,484
Assets under construction	174,902	-	174,902	59,382
Motor vehicles	499,746	330,189	169,557	143,925
Engineered structures - Sewer	2,973,497	1,946,747	1,026,750	1,082,410
Engineered structures - Water	4,976,808	1,983,447	2,993,361	2,939,774
Engineered structures - Gas	1,311,367	1,271,628	39,739	45,001
Engineered Structures - Solar	366,599	6,110	360,489	-
	\$ 21,974,128	\$ 13,236,909	\$ 8,737,219	\$ 8,316,381

For additional information see the Schedule of Tangible Capital Assets. (Schedule 6)

7. DEFERRED REVENUE

Deferred revenue is comprised of:

	2021	2020
Federal Gas Tax Fund	\$ 230,387	\$ 117,513
Municipal Sustainability Initiative - Capital	574,298	418,925
Small Communities Fund Grant	-	145,518
Municipal Asset Management Program Grant	50,000	-
Municipal Stimulus Program	-	28,600
Alberta Community Partnership (ACP) Program	-	171,444
Alberta Infrastructure Funding	150,373	-
Other grants	-	8,696
Subtotal	1,005,058	890,696
Prepaid property taxes	22,019	17,921
Prepaid utilities	2,933	3,426
Prepaid local improvement charges	-	1,102
	\$ 1,030,010	\$ 913,145

Municipal Sustainability Initiative - Capital

Funding from the Provincial Government was allocated to the Town in the current year from the Municipal Sustainability Initiative - Capital Grant. The grant funding is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in the next few years. Unexpended funds related to the advance less amounts receivable from the Provincial Government are supported by restricted cash held exclusively for these projects (refer to Note 2.).

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

7. DEFERRED REVENUE (*continued*)

2021

2020

Federal Gas Tax Fund

Funding from the Provincial Government was allocated to the Town in the current year from the Federal Gas Tax Fund and is restricted to eligible capital projects as approved under the funding agreement. Funds from this grant are being deferred for a future project. Unexpended funds related to the advance are supported by restricted cash held exclusively for this project (refer to Note 2.).

Small Communities Fund Grant

Funding from the Provincial Government was allocated to the Town from the Intermunicipal Development Planning Grant. The grant funding is restricted for local priorities that contribute to economic growth, a cleaner environment and enhancing infrastructure. Unexpended funds related to the advance, less amounts receivable from the Provincial Government, are supported by restricted cash held exclusively for these projects (refer to Note 2.).

Municipal Stimulus Program Grant

Funding from the Provincial Government was allocated to the Town from the Municipal Stimulus Program Grant for capital infrastructure projects that will support economic recovery and provide jobs in the local communities. Unexpended funds related to the advance, less amounts receivable from the Provincial Government, are supported by restricted cash held exclusively for these projects (refer to Note 2.).

Municipal Asset Management Program

Funding from the Federation of Canadian Municipalities was allocated to the Town from the Municipal Asset Management Program to aid in strengthening its asset management practice. The program funding is restricted to funding the development and implementation of new asset management programs. Unexpended funds related to the advance, less amounts receivable from the Provincial Government, are supported by restricted cash held exclusively for these projects (refer to Note 2.).

Alberta Infrastructure Funding

Funding from the Provincial Government was allocated to the Town to aid in the construction of the utility Infrastructure for the Aspen View School that that is being constructed in the Town. Unexpended funds related to the advance, less amounts receivable from the Provincial Government, are supported by restricted cash held exclusively for this project (refer to Note 2.).

Alberta Community Partnership (ACP) Program

Funding from the Provincial Government was allocated to the Town from the Alberta Community Partnership (ACP) Program. The program funding is restricted to land-use and planning objectives. Unexpended funds, related to the advance from the Provincial Government, are supported by restricted cash and held exclusively for these projects (refer to Note 2.).

TOWN OF SMOKY LAKE

Notes to Consolidated Financial Statements

Year Ended December 31, 2021

8. TRUST FUNDS: PHYSICIAN RECRUITMENT AND RETENTION PROGRAM

The Town in conjunction with the County of Smoky Lake, Village of Waskatenau and the Village of Vilna administers the Physician Recruitment Program on behalf of contributing partners. Related trust funds are not owned by the Town have been excluded from the reporting entity. The funds are reconciled as follows:

	Percentage Contribution	Contributed Amount	Total
Opening balance 2021			\$ 106,153
Smoky Lake County	61 %	14,640	14,640
Town of Smoky Lake	26 %	6,240	6,240
Village of Vilna	7 %	1,680	1,680
Village of Waskatenau	6 %	1,440	1,440
	100 %	24,000	130,153
Less annual program disbursements	-	-	(28,496)
Ending balance 2021			\$ 101,657

9. LONG TERM DEBT

	2021	2020
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-monthly blended payments of \$10,585. The loan matures on March 31, 2031 and is secured by the credit and security of the Town at large.	\$ 89,022	\$ 97,229
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-monthly blended payments of \$21,083. The loan matures on March 31, 2031 and is secured by the credit and security of the Town at large.	177,318	193,665
ATB Financial loan bearing interest at 3.7% per annum, repayable in semi-monthly blended payments of \$50,000. The loan matures on October 31, 2023 and is secured by the credit and security of the Town at large. This loan was fully repaid during the year.	-	38,823
Alberta Capital Finance Authority loan bearing interest at 2.464% per annum, repayable in monthly blended payments of \$1,940. The loan matures on September 16, 2039 and is secured by the credit and security of the Town at large.	56,155	58,607
Alberta Capital Finance Authority loan bearing interest at 2.85% per annum, repayable in monthly blended payments of \$13,081. The loan matures on December 15, 2031 and is secured by the credit and security of the Town at large.	226,250	-
	\$ 548,745	\$ 388,324

Principal repayment terms are approximately:

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

9. LONG TERM DEBT <i>(continued)</i>		
	2022	\$ 47,538
	2023	48,803
	2024	50,102
	2025	51,435
	2026	52,904
	Thereafter	297,963
		<u>\$ 548,745</u>

10. DEBT LIMITS

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

	2021	2020
Total debt limit	\$ 5,956,772	\$ 5,037,749
Total debt	<u>(548,745)</u>	<u>(388,324)</u>
Amount of debt limit unused	5,408,027	4,649,425
Debt servicing limit	992,795	839,625
Debt servicing	<u>(68,018)</u>	<u>(75,808)</u>
Amount of debt servicing limit unused	<u>\$ 924,777</u>	<u>\$ 763,817</u>

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

11. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2021	2020
Tangible capital assets (Note 6.)	\$ 21,974,127	\$ 21,069,117
Accumulated amortization (Note 6.)	<u>(13,236,909)</u>	<u>(12,752,737)</u>
Long term debt (Note 9.)	<u>(548,745)</u>	<u>(388,324)</u>
	<u>\$ 8,188,473</u>	<u>\$ 7,928,056</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

12. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town 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. The Town is required to make current service contributions to the LAPP of 9% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 14% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 8% of pensionable salary up to the year's maximum pensionable salary and 13% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2021 were \$58,330 (2020 - \$59,361). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2021 were \$52,710 (2020 - \$53,647).

The LAPP reported a surplus for the overall plan as at December 31, 2020, of \$4,961,337. Information as at December 31, 2021, was not available at the time of preparing these financial statements.

13. SEGMENTED DISCLOSURE

The Town of Smoky Lake 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 the Schedule of Segmented Disclosure (Schedule 4).

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

14. SALARY AND BENEFITS DISCLOSURE

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

			2021	2020
	Salary (1)	Benefits & allowances (2)	Total	Total
H. Holowychuk - Mayor	\$ 19,080	\$ 311	\$ 19,391	\$ 23,965
D. Kotylak - Councilor	16,580	2,794	19,374	21,430
A. Cherniwchan - Mayor	3,170	-	3,170	-
M. Morton - Deputy Mayor	14,805	-	14,805	14,060
T. Makowichuk - Councilor	11,290	-	11,290	12,552
E. Kobes - Councilor	3,675	-	3,675	-
R. Whitelaw - Councilor	12,935	-	12,935	17,280
M. Prockiw-Zarusky - Councilor .	4,715	175	4,890	-
Chief Administrative Officer	127,102	18,493	145,595	142,285
Designated Officer	21,264	-	21,264	7,200
	\$ 234,616	\$ 21,773	\$ 256,389	\$ 238,772

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

15. FINANCIAL INSTRUMENTS

The Town is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Town's risk exposure and concentration as of December 31, 2021.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to this risk mainly in respect of its receipt of funds from its taxpayers and other related sources, and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Town manages exposure through its normal operating and financing activities. The Town is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2021

16. CONTAMINATED SITES LIABILITY

Accrued liabilities have been estimated for the cost of post-remediation for two old gas well sites and the former landfill site within the Town. The initial costs have been reduced by the reclamation work performed as follows:

	2021	2020
Post-Remediation Costs Liability for the two gas well sites	\$ 349,000	\$ 349,000
Less: Reclamation work performed	(329,050)	(329,050)
Subtotal	19,950	19,950
Post-Remediation Costs Liability for the former landfill site	20,000	20,000
	\$ 39,950	\$ 39,950

17. CONTRACTUAL OBLIGATIONS

Highway 28/63 Regional Water Commission

The Town has entered into an agreement with the Highway 28/63 Regional Water Services Commission (the Commission) to provide water services and build infrastructure. The members of the Commission are the County of Thorhild No. 7, Smoky Lake County, the Town of Smoky Lake and the Villages of Vilna and Waskatenau.

To fund building infrastructure beyond grant funding received, the Commission financed \$3.062 million. For the current year, the Town has repaid debenture costs including principal and interest totaling \$119,258 (2020 - \$119,258). Future annual debenture commitments including principal and interest are estimated as follows:

Contractual obligation repayment schedule:

2022	\$ 119,258
2023	119,258
2024	119,258
2025	119,258
2026	119,258
Thereafter	1,354,516
	<u>\$ 1,950,806</u>

18. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

19. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

20. BUDGET AMOUNTS

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