

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2018

TOWN OF SMOKY LAKE
Index to Consolidated Financial Statements
Year Ended December 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4 - 5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Consolidated Schedule of Property and Other Taxes (<i>Schedule 1</i>)	8
Consolidated Schedule of Government Transfers (<i>Schedule 2</i>)	8
Consolidated Schedule of Expenditures by Object (<i>Schedule 3</i>)	9
Consolidated Schedule of Segmented Disclosure (<i>Schedule 4</i>)	10
Consolidated Schedule of Changes in Accumulated Surplus (<i>Schedule 5</i>)	11
Notes to Consolidated Financial Statements	12 - 23

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, 2018, and the consolidated statements of operations, 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 financial position of the Town as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material 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 relating 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.

(continues)

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 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.

Edmonton, Alberta
April 23, 2019

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

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 2,012,214	\$ 1,188,457
Current taxes and grants in place of taxes (Note 3)	258,218	159,767
Grants and receivables from other governments (Note 4)	136,834	1,249,648
Trade and other receivables	271,106	278,740
Local improvement taxes receivable	12,667	19,001
Land held for resale	81,814	81,814
	\$ 2,772,853	\$ 2,977,427
LIABILITIES		
Accounts payable	\$ 395,957	\$ 545,356
Deposit liabilities	4,750	4,750
Deferred income (Note 6)	753,408	961,341
Long term debt (Note 8)	477,033	559,821
Contaminated site liability (Note 14.)	67,487	74,702
	1,698,635	2,145,970
NET FINANCIAL ASSET (DEBT)	1,074,218	831,457
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	8,148,579	7,906,633
Prepaid expenses	55,031	35,369
Inventory for consumption	74,632	107,911
	8,278,242	8,049,913
ACCUMULATED SURPLUS	\$ 9,352,460	\$ 8,881,370

On behalf of Council


 _____ Councilor

 _____ Councilor

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Operations
Year Ended December 31, 2018

	Budget (Unaudited) 2018	2018	2017
REVENUE			
Net municipal taxes (Schedule 1)	\$ 1,013,432	\$ 1,050,567	\$ 989,235
User fees and sale of goods	1,927,400	1,827,656	1,954,681
Government transfers for operating	201,550	440,079	407,531
Investment income	8,000	32,132	10,154
Penalties and costs of taxes	30,000	43,236	32,309
Licenses and permits	7,600	11,770	59,787
Rentals	-	875	-
Franchise fees & concession contracts	71,080	72,268	69,676
Other	59,400	64,492	52,499
Total revenue	3,318,462	3,543,075	3,575,872
EXPENSES			
Administration and legislative	623,513	646,262	529,513
Bylaw enforcement	316	-	60
Family and community support	199,915	175,970	184,830
Fire service	72,859	92,801	60,930
Gas service	608,999	446,198	588,541
Land use planning, zoning and development	66,700	31,902	15,485
Libraries, museums and halls	34,388	34,387	33,090
Parks and recreation	116,155	101,031	91,279
Roads, streets, walks and lighting	692,239	845,558	906,807
Waste management	294,354	274,718	256,522
Wastewater treatment and disposal	71,444	64,566	104,301
Water supply and distribution	537,580	488,836	497,828
Total operating expenses	3,318,462	3,202,229	3,269,186
Excess (deficiency) of revenue over expenses before other	-	340,846	306,686

(continues)

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Operations *(continued)*
Year Ended December 31, 2018

	Budget (Unaudited) 2018	2018	2017
OTHER INCOME (EXPENSES)			
Government transfers for capital	-	583,963	521,660
Amortization	-	(453,719)	(395,666)
	-	130,244	125,994
EXCESS OF REVENUE OVER EXPENSES	-	471,090	432,680
ACCUMULATED SURPLUS, BEGINNING OF YEAR	8,881,370	8,881,370	8,448,690
ACCUMULATED SURPLUS, END OF YEAR	\$ 8,881,370	\$ 9,352,460	\$ 8,881,370

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, 2018

	2018	2017
Excess of revenue over expenses	\$ 471,090	\$ 432,680
Acquisition of tangible capital assets	(695,666)	(616,947)
Amortization of tangible capital assets	453,719	395,666
	(241,947)	(221,281)
Use of inventory	33,279	\$ (41,572)
Use of prepaids	(19,661)	\$ (10,124)
(INCREASE) DECREASE IN NET DEBT	242,761	159,703
Net financial assets (debt), beginning of year	831,457	671,754
NET ASSETS - END OF YEAR	\$ 1,074,218	\$ 831,457

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 471,090	\$ 432,680
Item not affecting cash:		
Amortization	453,719	395,666
	924,809	828,346
Changes in non-cash working capital:		
Trade and other receivables	7,634	46,762
Current taxes and grants in place of taxes	(98,451)	(22,917)
Inventory for consumption	33,279	(41,572)
Grants and receivables from other governments	1,112,814	(354,296)
Accounts payable	(149,399)	246,250
Deferred income	(207,933)	(87,112)
Prepaid expenses	(19,662)	(10,125)
Local improvement taxes receivable	6,334	6,333
Deposits received	-	(500)
Contaminated site liability	(7,215)	(176,485)
	677,401	(393,662)
Cash flow from operating activities	1,602,210	434,684
INVESTING ACTIVITY		
Purchase of capital assets	(695,664)	(616,947)
FINANCING ACTIVITY		
Repayment of long term debt	(82,789)	(102,307)
INCREASE (DECREASE) IN CASH FLOW	823,757	(284,570)
Cash - beginning of year	1,188,457	1,473,027
CASH - END OF YEAR (Note 2)	\$ 2,012,214	\$ 1,188,457

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, 2018

	Budget (Unaudited) 2018	2018	2017
TAXATION			
Real property tax	\$ 1,214,704	\$ 1,224,370	\$ 1,219,912
Linear property taxes	93,196	93,197	45,969
Special assessments	33,092	33,092	33,092
Grants in lieu of property taxes	-	20,141	19,338
	1,340,992	1,370,800	1,318,311
REQUISITIONS			
Alberta School Foundation	261,750	254,423	261,747
Seniors' housing requisition	65,810	65,810	67,329
	327,560	320,233	329,076
NET MUNICIPAL TAXES	\$ 1,013,432	\$ 1,050,567	\$ 989,235

Consolidated Schedule of Government Transfers

(Schedule 2)

Year Ended December 31, 2018

	Budget (Unaudited) 2018	2018	2017
TRANSFERS FOR OPERATING			
Provincial Government	\$ 201,550	\$ 440,079	\$ 407,531
	201,550	440,079	407,531
TRANSFERS FOR CAPITAL			
Provincial Government	-	583,963	521,660
TOTAL GOVERNMENT TRANSFERS	\$ 201,550	\$ 1,024,042	\$ 929,191

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, 2018

	Budget (Unaudited) 2018	2018	2017
EXPENSES			
Salaries, wages & benefits	\$ 972,248	\$ 921,060	\$ 956,999
Contracted and general services	1,203,736	1,327,170	1,286,138
Materials, goods and utilities	833,580	822,350	918,607
Transfer to local boards and agencies	106,388	116,447	91,290
Interest on long term	134,327	15,202	16,152
Provision for allowances	2,000	-	-
Total Consolidated Expenditures by Object	\$ 3,252,279	\$ 3,202,229	\$ 3,269,186

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2018

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2018
REVENUE								
Net municipal taxes	\$ 1,050,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,050,567
Government transfers	62,702	-	201,409	5,500	165,468	5,000	-	440,079
User fees and sales of goods	31,890	-	-	1,100	-	1,794,666	-	1,827,656
Investment income	32,132	-	-	-	-	-	-	32,132
Other revenues	148,148	34,730	895	-	8,267	606	-	192,646
	1,325,439	34,730	202,304	6,600	173,735	1,800,272	-	3,543,080
EXPENSES								
Contract & general services	398,857	32,733	100,990	25,131	81,774	687,692	-	1,327,177
Salaries & wages	244,904	16,435	307,580	446	100,151	251,545	-	921,061
Materials, goods & utilities	43,146	43,633	406,850	-	19,535	309,181	-	822,345
Transfers to local boards	17,273	-	-	-	99,174	-	-	116,447
Long term debt interest	-	-	5,910	6,326	-	2,967	-	15,203
	704,180	92,801	821,330	31,903	300,634	1,251,385	-	3,202,233
Excess (deficiency) of revenue over expenses before other	621,259	(58,071)	(619,026)	(25,303)	(126,899)	548,887	-	340,847
OTHER EXPENSE								
Amortization	(27,785)	(16,758)	(226,342)	(664)	(24,801)	(157,370)	-	(453,720)
Government transfers for capital	96,823	-	364,566	-	-	122,574	-	583,963
	69,038	(16,758)	138,224	(664)	(24,801)	(34,796)	-	130,243
EXCESS OF REVENUE OVER EXPENSES	\$ 690,297	\$ (74,829)	\$ (480,802)	\$ (25,967)	\$ (151,700)	\$ 514,091	\$ -	\$ 471,090

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, 2018

(Schedule 5)

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2018	Total 2017
BALANCE, BEGINNING OF YEAR	\$ 188,236	\$ 1,346,323	\$ 7,346,811	\$ 8,881,370	\$ 8,448,690
Excess (deficiency) of revenues over expenses	471,090	-	-	471,090	432,680
Current year funds used for tangible capital assets	(695,664)	-	695,664	-	-
Annual amortization expense	453,719	-	(453,719)	-	-
Principle repayments on long term debt	(82,789)	-	82,789	-	-
Net transfers to/from reserves	(51,207)	51,207	-	-	-
	95,149	51,207	324,734	471,090	432,680
BALANCE, END OF YEAR	\$ 283,385	\$ 1,397,530	\$ 7,671,545	\$ 9,352,460	\$ 8,881,370

Note: The net book value of the tangible capital assets at year end, less related debt, represents the amount of equity in tangible capital assets.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Smoky Lake 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 Chartered Professional Accountants of Canada. 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 are the following:

Town of Smoky Lake Fire Department

Town of Smoky Lake Mineral Rights Development Company Ltd.

The schedule of taxes levied also includes requisitions for education, health, social 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.

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 Town Council in accordance with legislation and 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 Consolidated Schedule of Property and Other Taxes.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

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

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 Consolidated Schedule of Property and Other Taxes (Schedule 1).

Use of Estimates

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

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.

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt less actuarial requirements for the retirement of any sinking fund debentures.

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.

Inventories for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

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

Inventory for Consumption

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

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 owner's share of the improvement is recognized as revenue, and established as a receivable, in the period that the project expenditures are completed.

Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include the final clay cover, landscaping as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

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.

Government Transfers

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

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

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 (Debt) for the year.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

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

Liability for Remediation Costs

The Town provides for remediation costs on its gas properties that are no longer in productive use, based on current legislation and industry operating practices. A liability for remediation costs related to gas properties is recognized as a liability in the period in which they are incurred. Remediation costs are measured at management's best estimate of the expenditures required to settle the obligation as at the date of the balance sheet net of expected recoveries. Actual costs incurred upon settlement of the remediation costs are charged against the liability.

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 cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	15 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Engineered structures - Gas	35 - 75 years
Engineered structures - Roadways	5 - 40 years
Engineered structures - Water system	45 - 75 years
Engineered structures - Wastewater system	40 - 75 years

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

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.

2. CASH AND TEMPORARY INVESTMENTS

	2018	2017
Cash	\$ 1,192,124	\$ 834,256
Restricted cash related to municipal grants	673,866	210,281
Restricted cash related to decommissioning of gas wells	146,224	143,920
	\$ 2,012,214	\$ 1,188,457

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

Included in cash are restricted amounts received from the Municipal grants and are held exclusively for future approved projects (Note 6) and cash restricted for the future decommissioning of gas wells.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

3. TAXES AND GRANTS IN PLACE OF TAXES

Taxes and grants in place of taxes are comprised of:

	2018	2017
Current taxes and grants in place of taxes	\$ 137,381	\$ 60,723
Arrears taxes and grants in place of taxes	120,837	99,044
	\$ 258,218	\$ 159,767

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2018	2017
Municipal Sustainability Initiative - Capital	\$ -	\$ 1,007,257
Federal Gas Tax Fund	53,169	163,954
Early Childhood Coalition (ECCA) Grant	22,500	22,500
Municipal Asset Management Program Grant	50,000	50,000
Subtotal	125,669	1,243,711
Goods and Services Tax Recoverable	11,165	5,937
	\$ 136,834	\$ 1,249,648

5. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 740,631	\$ -	\$ 740,631	\$ 740,631
Land improvements	558,813	206,111	352,702	376,209
Buildings	603,691	227,198	376,493	392,291
Machinery and equipment	2,075,492	1,256,675	818,817	756,964
Motor vehicles	502,816	355,600	147,216	169,987
Engineered structures - roadways	6,523,698	5,056,397	1,467,301	1,435,483
Engineered Structures - Sewer	2,973,497	1,778,787	1,194,710	1,145,088
Engineered Structures - Water	4,785,319	1,800,289	2,985,030	2,813,963
Engineered Structures - Gas	1,311,367	1,245,688	65,679	76,017
	\$ 20,075,324	\$ 11,926,745	\$ 8,148,579	\$ 7,906,633

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

6. DEFERRED REVENUE

Deferred revenue is comprised of:

	2018	2017
Municipal Sustainability Initiative - Capital	\$ 307,476	\$ 545,303
Federal Gas Tax Fund	160,492	139,813
Early Child Development Mapping Initiative	49,776	49,776
Small Communities Grant	145,518	145,518
Alberta Community Partnership (ACP) Program	49,541	-
Municipal Asset Management Program Grant	-	45,181
Physician Recruitment Program	9,126	6,582
Other deferred revenue	10,724	8,963
Prepaid property taxes	15,023	15,855
Prepaid Utilities	5,732	4,350
	\$ 753,408	\$ 961,341

Municipal Sustainability Initiative - Capital

The Municipal Sustainability Initiative - Capital is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to the advance (net of grants receivable) are supported by restricted cash held exclusively for these projects (refer to Note 2).

Municipal Sustainability Initiative - Operating

The Municipal Sustainability Initiative - Operating is restricted to eligible operating expenses, as approved under the funding agreement. Unexpended funds related to the advance (net of grants receivable) are supported by restricted cash held exclusively for these projects (refer to Note 2).

Federal Gas Tax Fund

The Federal Gas Tax Fund is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to the advance are supported by restricted cash held exclusively for these projects (refer to Note 2).

Small Communities Grant

The Small Communities Grant is restricted to eligible capital projects, as approved under the funding agreement. Unexpended funds related to the advance (net of grants receivable) are supported by restricted cash held exclusively for these projects (refer to Note 2).

Alberta Community Partnership (ACP) Program

Funding from the Provincial Government was allocated to the Summer Village from the Alberta Community Partnership (ACP) Program. The program funding is restricted to land-use 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).

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

6. DEFERRED REVENUE <i>(continued)</i>	2018	2017
--	-------------	------

Early Child Development

The Early Child Development funding is for the development of community specific action plans for enhancing early childhood development. The program is restricted to projects approved under the funding agreement. Unexpended funds related to the advance are supported by restricted cash held exclusively future approved projects (refer to Note 2).

Physician Recruitment Program

The Town is the managing partner for Physician Recruitment Program in the community. The Town collects advances from Municipalities in the area and provides physician services to those communities. Unexpended funds related to the advance are supported by restricted cash held exclusively for future expenditures (refer to Note 2).

7. EMPLOYEE BENEFIT OBLIGATIONS

Included in accounts payable are employee benefit obligations of:

	2018	2017
Vacation and overtime	\$ 5,752	\$ 8,530

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

8. LONG TERM DEBT

	2018	2017
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in annual 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.	\$ 225,166	\$ 240,339
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-annual 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.	113,044	120,662
ATB Financial loan bearing interest at 3.7% per annum, repayable in semi-annual 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.	138,823	198,820

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

8. LONG TERM DEBT *(continued)*

	2018	2017
	\$ 477,033	\$ 559,821

Principal reductions over the next few years are approximately:

2019	\$ 73,364
2020	73,952
2021	63,376
2022	25,171
2023	241,170
	<u>\$ 477,033</u>

Interest on long-term debt amounted to \$15,202 (2017 - \$16,152)

9. 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:

	2018	2017
Total debt limit	\$ 5,314,613	\$ 5,363,808
Total debt	<u>(477,033)</u>	<u>(559,822)</u>
Amount of debt limit unused	4,837,580	4,803,986
Debt servicing limit	885,769	893,968
Debt servicing	<u>(97,991)</u>	<u>(118,459)</u>
Amount of debt servicing limit unused	\$ 787,778	\$ 775,509

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.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2018	2017
Tangible capital assets (Note 5)	\$ 20,075,324	\$ 19,379,659
Accumulated amortization (Note 5)	<u>(11,926,746)</u>	<u>(11,473,026)</u>
Long term debt (Note 8)	<u>(477,033)</u>	<u>(559,822)</u>
	<u>\$ 7,671,545</u>	<u>\$ 7,346,811</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

11. 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).

12. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, debt charges recoverable, bank indebtedness, accounts payable and accrued liabilities, deposit liabilities, requisition over-levy, and long-term debt.

It is management's opinion that the town is not exposed to significant interest or currency risks arising from these financial instruments.

Credit risk

Credit risk arises from the possibility that taxpayers and entities to which the municipality provides services 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.

Fair value

The Town's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Town for debt with similar terms.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

13. COMMITMENTS

a) Alberta Municipal Insurance Exchange

The Town is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

b) Loan Guarantee

The Town had provided a loan guarantee to a maximum amount of \$175,000 to the Smoky Lake Agricultural Society (the "Society"). In the event the the Society is unable to satisfy its debt the Town will be required to repay 50% of the loan. At the end of the current year, the maximum loan guarantee outstanding is \$- (2017 - \$21,668).

c) 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 (2017 - \$119,258). Future annual debenture commitments including principle and interest are estimated as follows:

Estimated commitment repayment schedule:

2019	\$	119,258
2020		119,258
2021		119,258
2022		119,258
2023		119,258
Thereafter		1,712,291
	\$	<u>2,308,581</u>

14. 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 preformed as follows:

	2018	2017
Post-remediation Costs Liability for the two gas wells sites	\$ 349,000	\$ 349,000
Less reclamation work preformed	(301,513)	(294,298)
Subtotal	47,487	54,702
Post-remediation Costs Liability for the former landfill site	20,000	20,000
	\$ 67,487	\$ 74,702

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

15. 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 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 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 15.84% on pensionable earnings above this amount.

Total current service contributions by the town to the LAPP in 2018 were \$48,059 (2017 - \$57,269). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2018 were \$44,182 (2017 - \$52,637).

At December 31, 2017, the LAPP disclosed an actuarial deficiency of \$4.835 billion.

16. 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:

			2018	2017
		\$		\$
	Salary (1)	Benefits & allowances (2)	Total	Total
H. Holowaychuk - Mayor	\$ 27,000	\$ 1,117	\$ 28,117	\$ 5,607
E. Brousseau - Former Mayor	-	-	-	19,480
D. Kotylak - Councillor	23,725	3,090	26,815	21,607
T. Makowichuk - Councillor	15,380	77	15,457	5,100
M. Morton - Councillor	15,965	-	15,965	3,390
R. Whitelaw - Councillor	20,740	-	20,740	4,870
D. Ross - Former Councillor	-	-	-	16,606
P. Palechuk - Former Councillor	-	-	-	14,148
R. Mykitiuk - Former Councillor	-	-	-	6,558
Chief Administrative Officer	113,733	21,162	134,895	139,883
Designated Officer	6,900	-	6,900	6,000
	\$ 223,443	\$ 25,446	\$ 248,889	\$ 243,249

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 pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. 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.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2018

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

18. COMPARATIVE FIGURES

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

19. BUDGET AMOUNTS

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