

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2019

TOWN OF SMOKY LAKE
Index to Consolidated Financial Statements
Year Ended December 31, 2019

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5 - 6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Consolidated Schedule of Property and Other Taxes <i>(Schedule 1)</i>	9
Consolidated Schedule of Government Transfers <i>(Schedule 2)</i>	9
Consolidated Schedule of Expenditures by Object <i>(Schedule 3)</i>	10
Consolidated Schedule of Segmented Disclosure <i>(Schedule 4)</i>	11
Consolidated Schedule of Changes in Accumulated Surplus <i>(Schedule 5)</i>	12
Notes to Consolidated Financial Statements	13 - 24

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 consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2019 and the results of its operations for the year then ended.

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

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

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

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

The Town Council carries out its responsibilities for review of the consolidated 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 consolidated financial statements.

The consolidated financial statements have been audited by Seniuk and Company, Chartered Professional Accountants, 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 consolidated financial statements.

The consolidated financial statements have been audited on behalf of the Members of Council by Seniuk and Company, Chartered Professional Accountants, in accordance with Canadian public sector accounting standards.



Mr. Adam Kozakiewicz, CAO

Smoky Lake, Alberta
April 28, 2020

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, 2019, 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 consolidated financial position of the Town as at December 31, 2019, and the consolidated results of its operations and consolidated 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 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.

(continues)

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

- 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 Town's debt limit can be found in Note 10.

- Supplementary Accounting Principles and Standards Regulation (Salary and Benefit Disclosure):

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 17.

Edmonton, Alberta
April 28, 2020

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

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 2,239,845	\$ 2,003,088
Current taxes and grants in place of taxes <i>(Note 3)</i>	409,552	258,218
Grants and receivables from other governments <i>(Note 4)</i>	189,245	136,834
Trade and other receivables	267,928	271,106
Land held for resale	81,814	81,814
Notes receivable - local improvements <i>(Note 5.)</i>	258,061	12,667
	\$ 3,446,445	\$ 2,763,727
LIABILITIES		
Accounts payable	\$ 419,487	\$ 395,958
Deposit liabilities	10,050	4,750
Deferred income <i>(Note 7)</i>	960,026	744,282
Long term debt <i>(Note 9)</i>	464,669	477,033
Contaminated site liability <i>(Note 15.)</i>	63,935	67,487
	1,918,167	1,689,510
NET FINANCIAL ASSET (DEBT)	1,528,278	1,074,217
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Note 6)</i>	7,873,157	8,148,579
Prepaid expenses	48,688	55,031
Inventory for consumption	72,868	74,632
	7,994,713	8,278,242
ACCUMULATED SURPLUS	\$ 9,522,991	\$ 9,352,459

On behalf of Council


 _____ Mayor

 _____ CAO

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Operations
Year Ended December 31, 2019

	Budget (Unaudited) 2019	2019	2018
REVENUE			
Net municipal taxes (Schedule 1)	\$ 1,021,659	\$ 1,019,595	\$ 1,023,588
User fees and sale of goods	1,933,100	1,844,247	1,832,714
Government transfers for operating	199,196	432,599	596,164
Investment income	20,000	44,145	38,028
Penalties and costs of taxes	41,800	60,963	45,623
Licenses and permits	8,000	10,936	11,770
Rentals	9,000	10,800	11,075
Franchise fees & concession contracts	88,408	81,467	72,268
Other	14,500	18,552	25,391
Total revenue	3,335,663	3,523,304	3,656,621
EXPENSES			
Administration and legislative	648,718	707,410	646,262
Family and community support	200,614	183,418	154,514
Fire service	72,841	78,052	92,801
Gas service	600,920	610,018	446,198
Land use planning, zoning and development	66,700	67,202	182,362
Libraries, museums and halls	34,465	34,991	34,387
Parks and recreation	116,211	93,372	101,031
Roads, streets, walks and lighting	694,496	654,002	695,098
Waste management	294,466	247,714	274,718
Wastewater treatment and disposal	75,163	71,969	64,566
Water supply and distribution	536,152	516,903	488,836
Total operating expenses	3,340,746	3,265,051	3,180,773
Excess (deficiency) of revenue over expenses before other	(5,083)	258,253	475,848

(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, 2019

	Budget (Unaudited) 2019	2019	2018
OTHER INCOME (EXPENSES)			
Government transfers for capital	-	88,508	427,878
Local improvements	-	272,810	21,083
Gain on disposal of assets	-	6,324	-
Amortization	-	(455,363)	(453,719)
	-	(87,721)	(4,758)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(5,083)	170,532	471,090
ACCUMULATED SURPLUS, BEGINNING OF YEAR	9,352,459	9,352,459	8,881,369
ACCUMULATED SURPLUS, END OF YEAR	\$ 9,347,376	\$ 9,522,991	\$ 9,352,459

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, 2019

	2019	2018
Excess of revenue over expenses	\$ 170,532	\$ 471,090
Acquisition of tangible capital assets	(196,480)	(695,664)
Proceeds on disposal of tangible capital assets	22,862	-
Amortization of tangible capital assets	455,363	453,719
(Gain) loss on disposal of assets	(6,324)	-
	275,421	(241,945)
Use of inventory	1,764	\$ 1
Use of prepaids	6,344	\$ (19,661)
(INCREASE) DECREASE IN NET DEBT	454,061	209,485
Net financial assets (debt), beginning of year	1,074,217	864,732
NET ASSETS - END OF YEAR	\$ 1,528,278	\$ 1,074,217

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 170,532	\$ 471,090
Items not affecting cash:		
Gain on disposal of assets	(6,324)	-
Amortization	455,363	453,719
	619,571	924,809
Changes in non-cash working capital:		
Trade and other receivables	3,178	7,634
Current taxes and grants in place of taxes	(151,334)	(98,451)
Inventory for consumption	1,764	33,279
Grants and receivables from other governments	(52,411)	1,112,814
Accounts payable	23,529	(149,399)
Deferred income	215,744	(217,059)
Prepaid expenses	6,343	(19,662)
Deposits received	5,300	-
Contaminated site liability	(3,552)	(7,215)
	48,561	661,941
Cash flow from operating activities	668,132	1,586,750
INVESTING ACTIVITIES		
Purchase of capital assets	(196,480)	(695,664)
Proceeds on disposal of capital assets	22,862	-
Repayment of notes receivable	29,218	6,334
Addition to notes receivable	(274,612)	-
Cash flow used by investing activities	(419,012)	(689,330)
FINANCING ACTIVITIES		
Proceeds from long term financing	61,000	-
Repayment of long term debt	(73,364)	(82,789)
Cash flow used by financing activities	(12,364)	(82,789)
INCREASE IN CASH FLOW	236,756	814,631
Cash - beginning of year	2,003,088	1,188,457
CASH - END OF YEAR (Note 2)	\$ 2,239,844	\$ 2,003,088

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, 2019

	Budget (Unaudited) 2019	2019	2018
TAXATION			
Real property tax	\$ 1,275,128	\$ 1,276,503	\$ 1,277,299
Linear property taxes	47,061	43,622	46,381
Grants in lieu of property taxes	22,780	22,780	20,141
Requisition under-levy	-	10,692	-
	1,344,969	1,353,597	1,343,821
REQUISITIONS			
Alberta School Foundation	254,423	265,116	254,423
Seniors' housing requisition	68,886	68,886	65,810
	323,309	334,002	320,233
NET MUNICIPAL TAXES	\$ 1,021,660	\$ 1,019,595	\$ 1,023,588

Consolidated Schedule of Government Transfers

(Schedule 2)

Year Ended December 31, 2019

	Budget (Unaudited) 2019	2019	2018
TRANSFERS FOR OPERATING			
Provincial Government	\$ 199,196	\$ 417,599	\$ 596,164
Other Local Governments	-	15,000	-
	199,196	432,599	596,164
	199,196	432,599	596,164
TRANSFERS FOR CAPITAL			
Provincial Government	-	88,508	427,878
TOTAL GOVERNMENT TRANSFERS	\$ 199,196	\$ 521,107	\$ 1,024,042

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, 2019**

	Budget (Unaudited) 2019	2019	2018
EXPENSES			
Salaries, wages & benefits	\$ 991,497	\$ 975,260	\$ 921,060
Contracted and general services	1,217,744	1,415,379	1,305,713
Materials, goods and utilities	820,537	757,876	822,351
Transfer to local boards and agencies	106,465	103,096	116,447
Interest on long term	128,363	13,440	15,202
Provision for allowances	2,000	-	-
Total Consolidated Expenditures by Object	\$ 3,266,606	\$ 3,265,051	\$ 3,180,773

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

**Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2019**

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2019
REVENUE								
Net municipal taxes	\$ 1,019,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,019,595
Government transfers	252,594	15,000	-	49,541	115,464	-	-	432,599
User fees and sales of goods	23,593	-	989	-	-	1,814,654	-	1,839,236
Investment income	44,145	-	-	-	-	-	-	44,145
Other revenues	169,622	11,426	2,097	-	2,533	2,052	-	187,730
	1,509,549	26,426	3,086	49,541	117,997	1,816,706	-	3,523,305
EXPENSES								
Contract & general services	210,021	22,900	54,663	13,351	125,985	989,904	2,366	1,419,190
Salaries & wages	251,604	21,726	337,022	-	86,844	278,063	-	975,259
Materials, goods & utilities	39,232	29,311	290,469	11,552	22,525	359,778	1,200	754,067
Transfers to local boards	10,632	-	-	-	92,465	-	-	103,097
Long term debt interest	-	-	5,528	5,136	-	2,775	-	13,439
	511,489	73,937	687,682	30,039	327,819	1,630,520	3,566	3,265,052
Excess (deficiency) of revenue over expenses before other	998,060	(47,511)	(684,596)	19,502	(209,822)	186,186	(3,566)	258,253
OTHER EXPENSE								
Government transfers for capital	-	-	88,508	-	-	-	-	88,508
Local improvements	272,810	-	-	-	-	-	-	272,810
Gain/(Loss) on disposal of assets	-	-	-	-	-	6,324	-	6,324
Amortization	(29,889)	(16,758)	(225,024)	-	(24,133)	(159,559)	-	(455,363)
	242,921	(16,758)	(136,516)	-	(24,133)	(153,235)	-	(87,721)
EXCESS OF REVENUE OVER EXPENSES	\$ 1,240,981	\$ (64,269)	\$ (821,112)	\$ 19,502	\$ (233,955)	\$ 32,951	\$ (3,566)	\$ 170,532

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, 2019

(Schedule 5)

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2019	Total 2018
BALANCE, BEGINNING OF YEAR	\$ 232,176	\$ 1,448,738	\$ 7,671,545	\$ 9,352,459	\$ 8,881,369
Excess (deficiency) of revenues over expenses	170,532	-	-	170,532	471,090
Current year funds used for tangible capital assets	(196,480)	-	196,480	-	-
Annual amortization expense	455,363	-	(455,363)	-	-
Net reductions on tangible capital assets	16,537	-	(16,537)	-	-
Principle repayments on long term debt	(73,364)	-	73,364	-	-
Long term debt additions used for tangible capital assets	61,000	-	(61,000)	-	-
Net transfers to/from reserves	(51,207)	51,207	-	-	-
	382,381	51,207	(263,056)	170,532	471,090
BALANCE, END OF YEAR	\$ 614,557	\$ 1,499,945	\$ 7,408,489	\$ 9,522,991	\$ 9,352,459

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, 2019

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, 2019

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, 2019

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 has 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, 2019

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

	2019	2018
Cash	\$ 1,328,645	\$ 1,182,998
Restricted cash related to municipal grants	762,023	673,866
Restricted cash related to decommissioning of gas wells	149,176	146,224
	\$ 2,239,844	\$ 2,003,088

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 7) and cash restricted for the future decommissioning of gas wells.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

3. TAXES AND GRANTS IN PLACE OF TAXES

Taxes and grants in place of taxes are comprised of:

	2019	2018
Current taxes and grants in place of taxes	\$ 219,492	\$ 137,381
Arrears taxes and grants in place of taxes	179,368	120,837
Requisition under-levy	10,692	-
	\$ 409,552	\$ 258,218

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2019	2018
Municipal Sustainability Initiative - Capital	\$ 12,360	\$ -
Federal Gas Tax Fund	162,102	53,169
Early Childhood Coalition (ECCA) Grant	-	22,500
Municipal Asset Management Program Grant	-	50,000
Subtotal	174,462	125,669
Goods and Services Tax Recoverable	14,783	11,165
	\$ 189,245	\$ 136,834

5. NOTE RECEIVABLE

	2019	2018
Local improvement note receivable - Paving 51 & 52 St. bearing interest at 2.48% per annum, repayable in annual total blended payments of \$9,066 for all the residents. The loan matures on December 31, 2031 and is secured by the property of each resident.	\$ 83,527	\$ -
Local improvement note receivable - Paving 53A, 54 & 55 Ave. loan receivable bearing interest at 2.498% per annum, repayable in monthly blended payments of \$11,521. The loan matures on December 31, 2031 and is secured by the property of each resident.	105,223	-
Local improvement note receivable - Southside Sewer loan receivable bearing interest at 2.498% per annum, repayable in monthly blended payments of \$6,392. The loan matures on December 31, 2031 and is secured by the property of each resident.	62,977	-
Local improvement note receivable - Paving - 56 Street loan receivable bearing interest at 0 % per annum, repayable in monthly blended payments of \$6,334. The loan matures on December 31, 2021 and is secured by the property of each resident.	6,334	12,667

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

5. NOTE RECEIVABLE (continued)

	\$ 258,061	\$ 12,667
--	-------------------	------------------

Principal repayment terms are approximately:

2021	\$ 29,218
2022	22,884
2023	22,884
2024	22,884
Thereafter	160,191
	<u>\$ 258,061</u>

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 741,631	\$ -	\$ 741,631	\$ 740,631
Land improvements	558,813	229,618	329,195	352,702
Buildings	603,691	242,996	360,695	376,493
Machinery and equipment	2,141,026	1,373,864	767,162	818,817
Motor vehicles	439,413	281,618	157,795	147,216
Engineered structures - Roadways	6,529,800	5,206,439	1,323,361	1,467,301
Engineered structures - Sewer	2,973,497	1,835,426	1,138,071	1,194,710
Engineered structures - Water	4,860,310	1,860,403	2,999,907	2,985,030
Engineered structures - Gas	1,311,367	1,256,027	55,340	65,679
	\$ 20,159,548	\$ 12,286,391	\$ 7,873,157	\$ 8,148,579

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

7. DEFERRED REVENUE

Deferred revenue is comprised of:

	2019	2018
Municipal Sustainability Initiative - Capital	\$ 498,646	\$ 307,476
Municipal Sustainability Initiative - Operating	300	-
Federal Gas Tax Fund	269,424	160,492
Small Communities Grant	145,518	145,518
Alberta Community Partnership (ACP) Program	17,138	49,541
Other grants	5,459	60,500
Prepaid property taxes	20,704	15,023
Prepaid utilities	2,837	5,732
	\$ 960,026	\$ 744,282

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 Town 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).

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

8. EMPLOYEE BENEFIT OBLIGATIONS

Included in accounts payable are employee benefit obligations of:

	2019	2018
Vacation and overtime	\$ 7,338	\$ 5,752

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.

9. LONG TERM DEBT

	2019	2018
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in 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.	\$ 105,235	\$ 113,044
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-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.	209,611	225,166
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.	88,823	138,823
Alberta Capital Finance Authority loan bearing interest at 2.464% per annum, repayable in semi-annual 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.	61,000	-
	\$ 464,669	\$ 477,033

Principal reductions over the next few years are approximately:

2020	\$ 76,345
2021	65,829
2022	27,684
2023	28,379
2024	29,091
Thereafter	237,341
	<u>\$ 464,669</u>

Interest on long term debt amounted to \$13,440 (2018 - \$15,202)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

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:

	2019	2018
Total debt limit	\$ 5,284,956	\$ 5,314,613
Total debt	(464,668)	(477,033)
Amount of debt limit unused	4,820,288	4,837,580
Debt servicing limit	880,826	885,769
Debt servicing	(88,835)	(86,804)
Amount of debt servicing limit unused	\$ 791,991	\$ 798,965

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:

	2019	2018
Tangible capital assets (Note 6)	\$ 20,159,548	\$ 20,075,323
Accumulated amortization (Note 6)	(12,286,391)	(11,926,745)
Long term debt (Note 9)	(464,668)	(477,033)
	\$ 7,408,489	\$ 7,671,545

12. 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, 2019

13. 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.

14. COMMITMENTS

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 (2018 - \$119,258). Future annual debenture commitments including principal and interest are estimated as follows:

Estimated commitment repayment schedule:

2020	\$	119,258
2021		119,258
2022		119,258
2023		119,258
2024		119,258
Thereafter		1,593,033
		<u>\$ 2,189,323</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

15. 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:

	2019	2018
Post-Remediation Costs Liability for the two gas wells sites	\$ 349,000	\$ 349,000
Less: Reclamation work performed	(305,065)	(301,513)
Subtotal	43,935	47,487
Post-Remediation Costs Liability for the former landfill site	20,000	20,000
	\$ 63,935	\$ 67,487

16. 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 2019 were \$57,284 (2018 - \$48,059). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2019 were \$51,747 (2018 - \$44,182).

At December 31, 2018 the LAPP disclosed an actuarial surplus of \$3.469 billion.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

17. 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:

			2019	2018
		\$		\$
	Salary (1)	Benefits & allowances (2)	Total	Total
H. Holowaychuk - Mayor	\$ 25,240	\$ 1,198	\$ 26,438	\$ 28,117
D. Kotylak - Councilor	22,900	3,266	26,166	26,815
T. Makowichuk - Councilor	12,485	67	12,552	15,457
M. Morton - Councilor	14,060	-	14,060	15,965
R. Whitelaw - Councilor	17,280	-	17,280	20,740
Designated Officer	7,200	-	7,200	6,900
Chief Administrative Officer	120,016	21,667	141,683	134,895
	\$ 219,181	\$ 26,198	\$ 245,379	\$ 248,889

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.

18. PHYSICIAN RECRUITMENT 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 not owned by the Town have been excluded from the reporting entity. In 2019 the Town administered \$209,730 of costs related to the program (2018 - \$29,606). Note, in 2019 no trust funds remain for this program.

19. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

20. COMPARATIVE FIGURES

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

21. BUDGET AMOUNTS

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