

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2020

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TOWN OF SMOKY LAKE
Index to Consolidated Financial Statements
Year Ended December 31, 2020

	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 and Accumulated Surplus	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 Changes in Accumulated Surplus (<i>Schedule 4</i>)	10
Consolidated Schedule of Segmented Disclosure (<i>Schedule 5</i>)	11
Consolidated Schedule of Tangible Capital Assets (<i>Schedule 6</i>)	12 - 13
Notes to Consolidated Financial Statements	14 - 27



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, 2020 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).



Mr. Adam Kozakiewicz, CAO

Smoky Lake, Alberta
April 27, 2021





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, 2020, 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, 2020, 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 27, 2021

Seniuk & Company
Seniuk and Company,
Chartered Professional Accountants



TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 1,406,937	\$ 1,328,645
Restricted cash (Note 2)	639,005	911,199
Property taxes and grants in place of taxes receivable (Note 3)	205,646	279,298
Grants and receivables from other governments (Note 4)	508,802	189,245
Trade and other receivables	272,263	267,928
Notes receivable (Note 5)	281,966	258,061
	3,314,619	3,234,376
LIABILITIES		
Accounts payable	449,861	419,486
Deposits received	10,060	10,050
Deferred income (Note 7)	913,145	960,026
Long term debt (Note 9)	388,324	464,669
Contaminated site liability (Note 16)	39,950	63,935
	1,801,340	1,918,166
NET FINANCIAL ASSETS	1,513,279	1,316,210
NON-FINANCIAL ASSETS		
Inventory for consumption	66,147	72,868
Prepaid expenses	29,019	48,688
Tangible capital assets (Note 6)	8,316,381	8,085,225
	8,411,547	8,206,781
ACCUMULATED SURPLUS	\$ 9,924,826	\$ 9,522,991

APPROVED ON BEHALF OF COUNCIL


 _____ Mayor


 _____ 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, 2020

	Budget (Unaudited) 2020	2020	2019
REVENUES			
Net municipal taxes (Schedule 1)	\$ 1,059,584	\$ 1,017,035	\$ 1,019,595
User fees	1,914,600	1,829,333	1,844,247
Government transfers for operating (Schedule 2)	188,907	330,446	432,599
Investment income	35,000	17,228	44,145
Penalties and costs of taxes	41,700	41,144	60,963
Licenses and permits	8,000	14,710	10,936
Rentals	9,900	10,800	10,800
Franchise fees & concession contracts	86,301	82,498	81,467
Other	25,400	15,305	18,552
	3,369,392	3,358,499	3,523,304
EXPENSES			
Administration and legislative	644,658	601,915	524,733
Protective services	118,268	105,879	78,052
Transportation services	788,673	658,969	654,002
Environmental services	819,905	900,346	1,019,264
Gas services	492,500	524,043	610,018
Planning and development	264,417	242,068	250,619
Recreation and culture	146,513	134,760	128,363
Amortization of tangible capital assets	-	466,346	455,363
	3,274,934	3,634,326	3,720,414
SURPLUS (DEFICIT) FROM OPERATIONS	94,458	(275,827)	(197,110)
OTHER INCOME (EXPENSES)			
Government transfers for capital (Schedule 2)	-	621,743	88,508
Local Improvements	-	55,919	272,810
Gain on disposal of tangible capital assets	-	-	6,324
	-	677,662	367,642
ANNUAL SURPLUS	94,458	401,835	170,532
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	9,522,991	9,352,459
ACCUMULATED SURPLUS - END OF YEAR	\$ 94,458	\$ 9,924,826	\$ 9,522,991

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, 2020

	Budget 2020	2020	2019
ANNUAL SURPLUS	\$ 94,458	\$ 401,835	\$ 170,532
Purchase of tangible capital assets	-	(697,501)	(196,480)
Proceeds on disposal of tangible capital assets	-	-	22,862
Amortization of tangible capital assets	-	466,346	455,363
Loss (gain) on disposal of assets	-	-	(6,324)
Decrease in prepaid expenses	-	19,669	6,342
Decrease in inventory for consumption	-	6,720	1,764
	-	(204,766)	283,527
INCREASE IN NET FINANCIAL ASSETS	94,458	197,069	454,059
NET FINANCIAL ASSETS - BEGINNING OF YEAR	-	1,316,210	862,151
NET FINANCIAL ASSETS - END OF YEAR	\$ 94,458	\$ 1,513,279	\$ 1,316,210

The accompanying notes form an integral part of these financial statements



TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Annual surplus for the year	\$ 401,835	\$ 170,532
Items not affecting cash:		
Amortization of tangible capital assets	466,346	455,363
Gain on disposal of tangible capital assets	-	(6,324)
	868,181	619,571
Changes in non-cash working capital:		
Trade and other receivables	(4,335)	3,178
Grants and receivables from other governments	(319,557)	(52,411)
Taxes and grants in place of taxes	73,652	(21,080)
Accounts payable	30,374	23,532
Deferred income	(46,881)	215,744
Prepaid expenses	19,669	6,343
Inventory for consumption	6,721	1,764
Deposits received	10	5,300
	(240,347)	182,370
Cash flow from operating activities	627,834	801,941
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(697,501)	(196,480)
Proceeds on disposal of tangible capital assets	-	22,862
Repayment of loans and notes receivable	32,014	29,218
Addition to loans and notes receivable	(55,919)	(274,612)
Cash flow used by capital activities	(721,406)	(419,012)
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	272,194	(221,366)
Repayment of contaminated site liability	(23,985)	(3,552)
Proceeds from long term financing	-	61,000
Repayment of long term debt	(76,345)	(73,364)
Cash flow from (used by) investing activities	171,864	(237,282)
INCREASE IN CASH FLOW	78,292	145,647
Cash - beginning of year	1,328,645	1,182,998
CASH - END OF YEAR (Note 2)	\$ 1,406,937	\$ 1,328,645

The accompanying notes form an integral part of these financial statements



TOWN OF SMOKY LAKE
Consolidated Schedule of Property and Other Taxes
Year Ended December 31, 2020

(Schedule 1)

	Budget (Unaudited) 2020	2020	2019
TAXATION			
Real property tax	\$ 1,320,540	\$ 1,284,770	\$ 1,287,195
Linear property taxes	43,902	43,902	43,622
Grants in lieu of property taxes	20,141	12,692	22,780
	1,384,583	1,341,364	1,353,597
REQUISITIONS			
Alberta school foundation	255,000	259,812	265,116
Seniors' housing requisition	70,000	64,517	68,886
	325,000	324,329	334,002
NET MUNICIPAL TAXES	\$ 1,059,583	\$ 1,017,035	\$ 1,019,595

Consolidated Schedule of Government Transfers

(Schedule 2)

	Budget (Unaudited) 2020	2020	2019
TRANSFERS FOR OPERATING			
Provincial Government	\$ 188,907	\$ 330,446	\$ 432,599
	188,907	330,446	432,599
TRANSFERS FOR CAPITAL			
Provincial Government	-	621,743	88,508
TOTAL GOVERNMENT TRANSFERS	\$ 188,907	\$ 952,189	\$ 521,107

The accompanying notes form an integral part of these financial statements



TOWN OF SMOKY LAKE
 Consolidated Schedule of Expenditures by Object
 Year Ended December 31, 2020

(Schedule 3)

	Budget (Unaudited) 2020	2020	2019
EXPENSES			
Contracted and general services	\$ 1,166,154	\$ 1,252,327	\$ 1,415,379
Salaries, wages & benefits	1,061,593	1,023,478	975,260
Materials, goods and utilities	796,893	767,441	757,876
Transfer to local boards and agencies	112,542	113,288	103,096
Interest on long term	70,977	11,446	13,440
Amortization	-	466,346	455,363
Total Expenditures by Object	\$ 3,208,159	\$ 3,634,326	\$ 3,720,414

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, 2020

(Schedule 4)

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2020	Total 2019
BALANCE, BEGINNING OF YEAR	\$ 402,488	\$ 1,499,945	\$ 7,620,556	\$ 9,522,991	\$ 9,352,459
Excess (deficiency) of revenues over expenses	401,835	-	-	401,835	170,532
Current year funds used to purchase of tangible capital assets	(697,501)	-	697,501	-	-
Annual amortization expense	466,346	-	(466,346)	-	-
Principle repayments on long term debt	(76,345)	-	76,345	-	-
	94,335	-	307,500	401,835	170,532
BALANCE, END OF YEAR	\$ 496,823	\$ 1,499,945	\$ 7,928,056	\$ 9,924,826	\$ 9,522,991

The accompanying notes form an integral part of these financial statements



TOWN OF SMOKY LAKE

Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2020

(Schedule 5)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	2020
REVENUE							
Net municipal taxes	\$ 1,017,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,017,035
Government transfers	168,463	-	-	-	116,289	45,694	330,446
User fees and sales of goods	28,655	-	1,006	-	-	1,799,672	1,829,333
Investment income	17,228	-	-	-	-	-	17,228
Other revenues	144,252	11,816	6,367	1,760	93	170	164,458
	1,375,633	11,816	7,373	1,760	116,382	1,845,536	3,358,500
EXPENSES							
Contract and general services	234,105	41,222	70,076	45,976	115,052	745,897	1,252,328
Salaries and wages	277,250	23,341	363,653	-	56,004	303,230	1,023,478
Materials, goods and utilities	127,073	39,924	205,971	2,775	19,485	372,213	767,441
Transfers to local boards	20,746	-	-	-	92,542	-	113,288
Amortization	30,480	13,653	239,497	-	21,050	161,666	466,346
Interest on long term	-	-	6,625	2,242	-	2,579	11,446
	689,654	118,140	885,822	50,993	304,133	1,585,585	3,634,327
Excess (deficiency) of revenue over expenses before other	685,979	(106,324)	(878,449)	(49,233)	(187,751)	259,951	(275,827)
OTHER							
Government transfers for capital	35,200	-	571,543	-	15,000	-	621,743
Local improvement levies	-	-	-	-	-	55,919	55,919
	35,200	-	571,543	-	15,000	55,919	677,662
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 721,179	\$ (106,324)	\$ (306,906)	\$ (49,233)	\$ (172,751)	\$ 315,870	\$ 401,835

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2020

(Schedule 6)

	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
Machinery and equipment	2,141,026	21,504	-	2,162,530
Motor vehicles	439,413	10,333	-	449,746
Engineered Structures - Sewer	2,973,497	-	-	2,973,497
Engineered structures - roadways	6,529,800	605,284	-	7,135,084
Assets under construction	-	59,383	-	59,383
Engineered Structures - Gas	1,311,367	-	-	1,311,367
Engineered Structures - Water	4,860,310	998	-	4,861,308
	<u>20,371,616</u>	<u>697,502</u>	<u>-</u>	<u>21,069,118</u>
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)
	<u>(12,286,391)</u>	<u>(466,346)</u>	<u>-</u>	<u>(12,752,737)</u>
Net Book Value	\$ 8,085,225	\$ 231,156	\$ -	\$ 8,316,381

(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, 2020

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2019				
Cost				
Land	\$ 952,702	\$ 1,000	\$ -	\$ 953,702
Land improvements	558,813	-	-	558,813
Buildings	603,691	-	-	603,691
Motor vehicles	502,816	-	(63,403)	439,413
Machinery and equipment	2,075,492	65,531	-	2,141,023
Engineered structures - roadways	6,523,698	6,102	-	6,529,800
Engineered Structures - Sewer	2,973,497	-	-	2,973,497
Engineered Structures - Water	4,785,319	74,991	-	4,860,310
Engineered Structures - Gas	1,311,367	-	-	1,311,367
	<u>20,287,395</u>	<u>147,624</u>	<u>(63,403)</u>	<u>20,371,616</u>
Accumulated Amortization				
Land improvements	(206,111)	(23,507)	-	(229,618)
Buildings	(227,198)	(15,798)	-	(242,996)
Motor vehicles	(355,600)	-	73,982	(281,618)
Machinery and equipment	(1,256,675)	(117,189)	-	(1,373,864)
Engineered structures - roadways	(5,056,397)	(150,042)	-	(5,206,439)
Engineered Structures - Sewer	(1,778,787)	(56,639)	-	(1,835,426)
Engineered Structures - Water	(1,800,289)	(60,114)	-	(1,860,403)
Engineered Structures - Gas	(1,245,688)	(10,339)	-	(1,256,027)
	<u>(11,926,745)</u>	<u>(433,628)</u>	<u>73,982</u>	<u>(12,286,391)</u>
Net Book Value	\$ 8,360,650	\$ (286,004)	\$ 10,579	\$ 8,085,225

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, 2020

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, 2020

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 transferer 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.
- 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.

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.

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TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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

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.

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.

(continues)



TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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

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.

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.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

2. CASH, TEMPORARY INVESTMENTS, AND RESTRICTED CASH

	2020	2019
Cash and temporary investments	\$ 1,406,937	\$ 1,328,645
Restricted portion of cash	639,005	911,199
	\$ 2,045,942	\$ 2,239,844

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:

	2020	2019
Current property taxes and grants in place of taxes	\$ 134,640	\$ 219,491
Arrears property taxes and grants in place of taxes	71,006	49,115
Sub-total	205,646	268,606
Taxes under-levy receivable	-	10,692
	\$ 205,646	\$ 279,298

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2020	2019
Municipal Sustainability Initiative - Capital grant receivable	\$ 284,768	\$ 12,360
Federal Gas Tax Fund grant receivable	217,244	162,102
Subtotal	502,012	174,462
Goods and Services Tax refundable	6,790	14,783
	\$ 508,802	\$ 189,245

5. NOTES RECEIVABLE

	2020	2019
Local improvement note receivable - Paving 51 & 52 St. loan receivable bearing interest at 2.48% per annum, repayable in annual blended total payment of \$9,066. The note matures on December 31, 2031 and is secured by the property of each resident	\$ 75,934	\$ 83,527

(continues)



TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

5. NOTES RECEIVABLE *(continued)*

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.	95,657	105,223
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.	57,252	62,977
Local improvement note receivable - Paving - 56 Street loan receivable bearing interest at 0% per annum, repayable in annual blended total payment of \$6,334. The note was fully repaid during the year.	-	6,334
Local improvement note receivable - Paving - 52 Ave loan receivable bearing interest at 2.464% per annum, repayable in annual blended total payment of \$3,811. The note matures on December 31, 2039 and is secured by the property of each resident.	53,123	-
	\$ 281,966	\$ 258,061

Principal repayment terms are approximately:

2021	\$ 32,014
2022	25,680
2023	25,680
2024	25,680
2025	25,680
Thereafter	147,232
	\$ 281,966



TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 953,699	\$ -	\$ 953,699	\$ 953,699
Land improvements	558,813	250,465	308,348	329,195
Engineered structures - roadways	7,135,085	5,371,624	1,763,461	1,323,361
Buildings	603,691	258,794	344,897	360,695
Machinery and equipment	2,162,530	1,487,046	675,484	767,162
Assets under construction	59,382	-	59,382	-
Motor vehicles	449,746	305,821	143,925	157,795
Engineered Structures - Sewer	2,973,497	1,891,087	1,082,410	1,138,071
Engineered Structures - Water	4,861,308	1,921,534	2,939,774	2,999,907
Engineered Structures - Gas	1,311,367	1,266,366	45,001	55,340
	\$ 21,069,118	\$ 12,752,737	\$ 8,316,381	\$ 8,085,225

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

7. DEFERRED REVENUE

Deferred revenue is comprised of:

	2020	2019
Family and Community Support Services (FCSS) grant	\$ 2,863	\$ -
Federal Gas Tax Fund	117,513	269,425
Municipal Sustainability Initiative - Capital	418,925	498,646
Small Communities Fund Grant	145,518	145,518
Municipal Stimulus Program	28,600	-
Alberta Community Partnership (ACP) Program	171,444	17,138
Other grants	5,833	5,758
Subtotal	890,696	936,485
Prepaid property taxes	17,921	19,602
Prepaid utilities	3,426	2,837
Prepaid local improvement charges	1,102	1,102
	\$ 913,145	\$ 960,026

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, 2020

7. DEFERRED REVENUE *(continued)*

2020

2019

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.).

Municipal Operating Support Grant

Funding from the Provincial Government was allocated to the Town in the current year from the Municipal Operating Support Grant to support municipalities which have experienced significant operating impacts due to the COVID-19 pandemic. Funding is provided for incremental operating costs incurred due to COVID-19 response and restart as well as other operating losses or deficits incurred as a result of COVID-19 impacts on revenues and operations. This grant was fully expended during the current year.

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.).

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, 2020

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 2020			\$ -
Smoky Lake County	61 %	75,640	75,640
Town of Smoky Lake	26 %	32,240	32,240
Village of Vilna	7 %	8,680	8,680
Village of Waskatenau	6 %	7,440	7,440
	100 %	124,000	124,000
Less annual program disbursements	-	-	(17,847)
Ending balance 2020			\$ 106,153

9. LONG TERM DEBT

	2020	2019
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.	\$ 97,229	\$ 105,235
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.	193,665	209,611
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.	38,823	88,823
Alberta Capital Finance Authority loan bearing interest at 2.464% per annum, repayable in 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.	58,607	61,000
	\$ 388,324	\$ 464,669

Principal reductions over the few years are approximately:

2021	\$ 65,829
2022	27,684
2023	28,379
2024	29,091
2025	29,822
Thereafter	207,519
	<u>\$ 388,324</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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:

	2020	2019
Total debt limit	\$ 5,037,749	\$ 5,284,956
Total debt	(388,324)	(464,668)
Amount of debt limit unused	4,649,425	4,820,288
Debt servicing limit	839,625	880,826
Debt servicing	(75,808)	(88,835)
Amount of debt servicing limit unused	\$ 763,817	\$ 791,991

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:

	2020	2019
Tangible capital assets (Note 6.)	\$ 21,069,118	\$ 20,371,615
Accumulated amortization (Note 6.)	(12,752,737)	(12,286,391)
Long term debt (Note 9)	(388,324)	(464,668)
	\$ 7,928,057	\$ 7,620,556

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

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 11% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 16% 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 2020 were \$59,361 (2019 - \$57,284). Total current service contributions by the employees of the town to the Local Authorities Pension Plan in 2020 were \$53,647 (2019 - \$51,747).

The LAPP reported a surplus for the overall plan as at December 31, 2019, of \$7,913,261. Information as at December 31, 2020, 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, 2020

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:

			2020	2019
	Salary (1)	Benefits & allowances (2)	Total	Total
H. Holowychuk - Mayor	\$ 22,770	\$ 1,195	\$ 23,965	\$ 26,438
D. Kotylak - Councilor	18,175	3,255	21,430	26,166
T. Makowichuk - Councilor	12,485	67	12,552	12,552
M. Morton - Councilor	14,060	-	14,060	14,060
R. Whitelaw - Councilor	17,280	-	17,280	17,280
Chief Administrative Officer	123,644	18,641	142,285	141,683
Designated Officer	7,200	-	7,200	7,200
	\$ 215,614	\$ 23,158	\$ 238,772	\$ 245,379

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, 2020.

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.

Additional risk

(continues)



TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

15. FINANCIAL INSTRUMENTS *(continued)*

Unless otherwise noted, it is management's opinion that the Town is not exposed to significant other risks arising from these financial instruments.

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:

	2020	2019
Post-Remediation Costs Liability for the two gas well sites	\$ 349,000	\$ 349,000
Less: Reclamation work performed	(329,050)	(305,065)
Subtotal	19,950	43,935
Post-Remediation Costs Liability for the former landfill site	20,000	20,000
	\$ 39,950	\$ 63,935

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 (2019 - \$119,258). Future annual debenture commitments including principal and interest are estimated as follows:

Contractual obligation repayment schedule:

2021	\$ 119,258
2022	119,258
2023	119,258
2024	119,258
2025	119,258
Thereafter	1,473,775
	<u>\$ 2,070,065</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.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2020

20. BUDGET AMOUNTS

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

