Financial Statements of

Municipal District of
Lesser Slave River No. 124

December 31, 2019

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Lesser Slave River

MANAGEMENT'S REPONSIBILITY FOR FINANCIAL REPORTING

DECEMBER 31, 2019

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. The responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements

The Municipal District of Lesser Slave River No. 124 maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Municipal District of Lesser Slave River No. 124's assets are properly accounted for and adequately safeguarded.

The elected Council of the Municipal District of Lesser Slave River No. 124 are composed entirely of individuals who are neither management nor employees of the Municipal District. Council has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. Council is also responsible for the appointment of the Municipal District's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and to report directly to them. The external auditors have full and free access to and meet periodically and separately with Council and management to discuss their audit findings.

Barbara Miller, CPA, CGA, CLGM
Chief Administrative Officer

Slave Lake, Alberta
March 10, 2021

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METRIX GROUP LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of the Municipal District of Lesser Slave River No. 124

Opinion

We have audited the accompanying financial statements of the Municipal District of Lesser Slave River No. 124 (the Municipal District), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal District as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the Municipal District'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 Municipal District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipal District's financial reporting process.

(continues)

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Independent Auditors' Report to the Reeve and Council of the Municipal District of Lesser Slave River No. 124 (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Municipal District's internal control.

- Evaluate the appropriateness of accounting policies 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 Municipal District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 or our auditors' report. However, future events or conditions may cause the Municipal District to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
March 10, 2021

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Financial Position
As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and Temporary Investments (*Note 2)*	$ 19,721,145	$ 10,573,312
Receivables		
Taxes and grants in lieu of taxes (*Note 3)*	635,618	420,957
Trade and other receivables (*Note 4)*	3,904,604	1,766,288
Other long-term receivables	817,581	938,144
Debt charges recoverable *(Note 5)*	2,009,314	2,250,005
Investments (*Note 6)*	5,435,944	14,184,627
	32,524,206	30,133,333
LIABILITIES		
Accounts payable and accrued liabilities	3,190,798	3,467,761
Deposit liabilities	323,031	331,288
Deferred revenue (*Note 8)*	2,389,121	2,209,204
Employee benefit obligations (*Note 9)*	154,244	168,160
Liability for Contaminated Sites *(Note 10)*	349,954	338,210
Long-term debt (*Notes 12,13)*	4,313,657	4,828,190
	10,720,805	11,342,813
NET FINANCIAL ASSETS	**21,803,401**	**18,790,520**
NON-FINANCIAL ASSETS		
Tangible capital assets *(Schedule 1)*	107,817,728	111,546,511
Inventory for consumption *(Note 11)*	1,502,354	1,741,339
Prepaid expense	245,638	216,161
	109,565,720	113,504,011
ACCUMULATED SURPLUS *(Note 14)*	**$ 131,369,121**	**$ 132,294,531**

The accompanying notes are an integral part of these financial statements.

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Operations & Accumulated Surplus
For the Year Ended December 31, 2019

	2019 Budget *(Note 22)*	2019 Actual	2018 Actual
REVENUE			
Net municipal property taxes *(Schedule 3)*	$ 13,520,463	$ 13,527,644	$ 13,271,922
Government transfers *(Schedule 4)*	446,828	2,103,670	897,987
User fees and sales of goods	1,424,810	1,654,033	1,611,608
Investment income	476,000	703,427	836,962
Penalties and costs of taxes	123,000	136,631	176,005
Licenses and permits	39,500	18,140	40,064
Other	111,000	746,901	590,413
Total revenue	**16,141,601**	**18,890,446**	**17,424,961**
EXPENSES			
Legislative	285,275	308,012	282,417
Administration	2,894,496	2,764,499	3,088,130
Protective Services	1,066,418	2,580,122	1,575,563
Roads, streets, walks, lighting	5,161,737	8,922,818	9,299,166
Common services	1,536,977	1,725,300	1,822,917
Water supply and distribution	1,260,114	1,996,467	2,341,483
Wastewater treatment and disposal	1,048,659	1,505,356	1,518,383
Waste management	360,655	395,801	364,922
Family and community support	102,634	90,012	100,460
Agriculture, planning and development	867,291	789,934	951,514
Parks, recreation, culture	499,234	708,662	742,759
Inter-municipal cost sharing *(Note 20)*	439,946	387,735	1,011,434
Total expenses	**15,523,436**	**22,174,718**	**23,099,148**
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	618,165	(3,284,272)	(5,674,187)
OTHER REVENUE			
Government transfers for capital *(Schedule 4)*	-	2,266,183	17,369,480
Gain on disposal of tangible capital assets	-	92,679	157,415
	-	**2,358,862**	**17,526,895**
ANNUAL SURPLUS (DEFICIT)	**618,165**	**(925,410)**	**11,852,708**
ACCUMULATED SURPLUS, BEGINNING OF YEAR	$ 132,294,531	$ 132,294,531	$ 120,441,823
ACCUMULATED SURPLUS, END OF YEAR *(Note 14)*	**$ 132,912,696**	**$ 131,369,121**	**$ 132,294,531**

The accompanying notes are an integral part of these financial statements.

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Change in Net Financial Assets
For the Year Ended December 31, 2019

	2019 Budget *(Note 22)*	2019 Actual	2018 Actual
ANNUAL SURPLUS (DEFICIT)	**$ 618,165**	**$ (925,410)**	**$ 11,852,708**
Acquisition of tangible capital assets	(3,121,326)	(3,547,091)	(20,818,429)
Proceeds on disposal of tangible capital assets	195,000	320,816	157,415
Amortization of tangible capital assets	-	7,047,737	6,986,533
Gain on disposal of tangible capital assets	-	(92,679)	(157,415)
	(2,308,161)	**2,803,373**	**(1,979,188)**
Change in inventory for consumption	-	238,985	(450,469)
Change in prepaid expenses	-	(29,477)	(3,697)
	-	**209,507**	**(454,166)**
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,308,161)	3,012,881	(2,433,354)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	18,790,520	18,790,520	21,223,874
NET FINANCIAL ASSETS, END OF YEAR	**$16,482,359**	**$ 21,803,401**	**$ 18,790,520**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019 Actual	2018 Actual
Operating Activities		
Annual surplus (deficit)	$ (925,410)	$ 11,852,708
Non-cash items included in annual surplus		
Amortization of tangible capital assets	7,047,737	6,986,533
Gain on disposal of tangible capital assets	(92,679)	(157,415)
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place	(214,661)	(55,329)
Decrease (increase) in trade and other receivables	(2,138,316)	(1,044,829)
Decrease (increase) in other long-term receivables	120,563	160,963
Decrease (increase) in debt charges recoverable	240,691	234,778
Decrease (increase) in prepaid expenses	(29,478)	(3,697)
Decrease (increase) in inventory for consumption	238,985	(450,469)
Increase (decrease) in accounts payable and accrued liabilities	(276,962)	1,720,041
Increase (decrease) in deposit liabilities	(8,257)	(12,987)
Increase (decrease) in deferred revenue	179,917	(13,958,425)
Increase (decrease) in employee benefit obligations	(13,916)	(71,501)
Increase in environmental liabilities	11,744	-
Cash provided by operating transactions	**4,139,958**	**5,200,371**
Capital Activities		
Purchase of tangible capital assets	(3,547,091)	(20,818,429)
Proceeds on disposal of tangible capital assets	320,816	157,415
Cash applied to capital transactions	**(3,226,275)**	**(20,661,014)**
Financing Activities		
Long-term debt repaid	(514,533)	(497,178)
Cash applied to financing transactions	**(514,533)**	**(497,178)**
Investing Activities		
Decrease in investments	8,748,683	5,225,170
Cash provided by investing transactions	**8,748,683**	**5,225,170**
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	9,147,833	(10,732,651)
CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF YEAR	10,573,312	21,305,963
CASH AND TEMPORARY INVESTMENTS AT END OF YEAR	**$ 19,721,145**	**$ 10,573,312**

The accompanying notes are an integral part of these financial statements.

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Tangible Capital Assets "Schedule 1"
For the Year Ended December 31, 2019

	Land	Engineered Structures	Buildings & Facilities	Machinery & Equipment	Vehicles	Work In Progress	2019	2018
COST								
BALANCE, BEGINNING OF YEAR	$ 2,734,801	$ 152,351,935	$ 35,708,787	$10,536,368	$ 1,592,068	$19,551,734	**$ 222,475,693**	$ 202,268,956
Acquisition of tangible capital assets	7,000	-	-	579,587	384,397	2,576,107	**3,547,091**	20,878,320
Transfer in (out) of work in progress	-	885,404	545,005	451,440	-	(1,881,849)	**-**	-
Disposals	-	-	(372,988)	(709,838)	(207,677)	-	**(1,290,503)**	(671,583)
BALANCE, END OF YEAR	2,741,801	153,237,339	35,880,804	10,857,557	1,768,788	20,245,992	**224,732,281**	222,475,693
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	88,307,107	15,507,910	6,322,156	792,009	-	**110,929,182**	104,554,342
Annual amortization	-	4,885,185	1,117,762	794,640	250,150	-	**7,047,737**	6,986,533
Disposals	-	-	(149,195)	(709,838)	(203,333)	-	**(1,062,366)**	(611,693)
BALANCE, END OF YEAR	-	93,192,292	16,476,477	6,406,958	838,826	-	**116,914,553**	110,929,182
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,741,801	$ 60,045,047	$ 19,404,327	$ 4,450,599	$ 929,962	$ 20,245,992	**$ 107,817,728**	
2018 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,734,801	$ 64,044,828	$ 20,200,877	$ 4,214,212	$ 800,059	$ 19,551,734		$ 111,546,511

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Segmented Disclosure
For the Year Ended December 31, 2019

"Schedule 2"

2019	**General Government**	**Protective Services**	**Transportation Services**	**Environmental Services**	**Planning & Development**	**Recreation & Culture**	**Total**
REVENUE							
Net municipal taxes	$ 13,527,644	$ -	$ -	$ -	$ -	$ -	**$ 13,527,644**
Government transfers	289,721	1,586,942	2,263,184	-	230,006	-	**4,369,853**
User fees and sales of goods	32,396	375	347,928	1,162,298	40,675	70,361	**1,654,033**
Investment income	703,427	-	-	-	-	-	**703,427**
Other revenues	972,743	8,891	-	3,468	9,249	-	**994,351**
	15,525,931	1,596,208	2,611,112	1,165,766	279,930	70,361	**21,249,308**
EXPENSES							
Contracted and general services	1,085,070	1,478,752	1,154,391	823,131	259,834	111,820	**4,912,998**
Salaries, wages and benefits	1,475,676	167,878	2,541,024	861,412	365,531	55,880	**5,467,401**
Goods and supplies	128,110	100,819	1,723,191	671,962	68,581	62,843	**2,755,506**
Transfers to other governments and boards	441,992	609,606	105,000	101,196	88,270	180,901	**1,526,965**
Long-term debt interest	43,303	-	-	113,807	-	-	**157,110**
Other expenses	307,001	-	-	-	-	-	**307,001**
	3,481,152	2,357,055	5,523,606	2,571,508	782,216	411,444	**15,126,981**
NET REVENUE (DEFICIT), BEFORE AMORTIZATION	12,044,779	(760,847)	(2,912,494)	(1,405,742)	(502,286)	(341,083)	**6,968,808**
Amortization	69,106	223,067	5,124,512	1,326,116	7,718	297,218	**7,047,737**
ANNUAL SURPLUS	**$ 11,975,673**	**$ (983,914)**	**$ (8,037,006)**	**$(2,731,858)**	**$ (510,004)**	**$ (638,301)**	**$ (925,410)**

The accompanying notes are an integral part of these financial statements.

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Segmented Disclosure
For the Year Ended December 31, 2019 "Schedule 2"

2018	**General Government**	**Protective Services**	**Transportation Services**	**Environmental Services**	**Planning & Development**	**Recreation & Culture**	**Total**
REVENUE							
Net municipal taxes	$ 13,271,922	$ -	$ -	$ -	$ -	$ -	**$ 13,271,922**
Government transfers	173,129	490,423	1,307,450	16,042,607	214,306	39,552	**18,267,467**
User fees and sales of goods	34,046	655	287,230	1,185,691	72,683	31,303	**1,611,608**
Investment income	836,962	-	-	-	-	-	**836,962**
Other revenues	918,271	30,849	-	4,062	10,715	-	**963,897**
	15,234,330	521,927	1,594,680	17,232,360	297,704	70,855	**34,951,856**
EXPENSES							
Contracted and general services	1,007,892	484,646	1,443,907	1,020,441	380,937	118,050	**4,455,873**
Salaries, wages and benefits	1,457,179	145,386	2,303,116	947,530	410,563	95,484	**5,359,258**
Goods and supplies	158,138	80,581	2,200,257	700,918	60,700	66,724	**3,267,318**
Transfers to other governments and boards	1,084,644	635,828	105,000	98,743	91,582	178,310	**2,194,107**
Long-term debt interest	48,114	-	-	126,502	-	-	**174,616**
Other expenses	661,428	-	-	-	15	-	**661,443**
	4,417,395	1,346,441	6,052,280	2,894,134	943,797	458,568	**16,112,615**
NET REVENUE (DEFICIT), BEFORE AMORTIZATION	10,816,935	(824,514)	(4,457,600)	14,338,226	(646,093)	(387,713)	**18,839,241**
Amortization	65,047	229,121	5,069,803	1,330,653	7,718	284,191	**6,986,533**
ANNUAL SURPLUS	**$ 10,751,888**	**$ (1,053,635)**	**$ (9,527,403)**	**$ 13,007,573**	**$ (653,811)**	**$ (671,904)**	**$ 11,852,708**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Property Taxes and Other Taxes "Schedule 3"
For the Year Ended December 31, 2019

	2019 Budget *(Note 22)*	**2019 Actual**	**2018 Actual**
TAXATION			
Real property taxes	$ 12,281,114	$ 12,321,291	$ 12,150,759
Linear property taxes	5,584,256	5,586,707	5,401,729
Designated Industrial Property	76,363	77,834	33,154
Government grants in place of property taxes	-	-	19,414
	17,941,733	**17,985,832**	**17,605,056**
REQUISITIONS			
Alberta School Foundation Fund	3,792,774	3,828,120	3,783,234
Seniors Lodges	552,133	552,234	518,231
Designated Industrial Property	76,363	77,834	31,669
	4,421,270	**4,458,188**	**4,333,134**
NET MUNICIPAL TAXES	**$ 13,520,463**	**$ 13,527,644**	**$ 13,271,922**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Government Transfers
For the Year Ended December 31, 2019

"Schedule 4"

	2019 Budget *(Note 22)*	2019 Actual	2018 Actual
TRANSFERS FOR OPERATING			
Provincial government	$ 421,828	$ 2,057,023	$ 867,040
Local governments	25,000	46,647	30,947
	446,828	**2,103,670**	**897,987**
TRANSFERS FOR CAPITAL			
Provincial government	-	2,266,183	17,369,480
TOTAL GOVERNMENT TRANSFERS	**$446,828**	**$ 4,369,853**	**$ 18,267,467**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Expenses by Object
For the Year Ended December 31, 2019 "Schedule 5"

	2019 Budget *(Note 22)*	2019 Actual	2018 Actual
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 6,037,211	$ 5,467,401	$ 5,359,258
Contracted and general services	4,418,799	4,912,998	4,455,873
Materials, goods and utilities	2,980,850	2,755,506	3,267,318
Provision for allowances	400,000	305,417	660,301
Transfers to local boards and agencies	1,523,599	1,526,965	2,194,107
Bank charges and short term interest	2,600	1,584	1,142
Interest on long-term debt	160,377	157,110	174,616
Amortization	-	7,047,737	6,986,533
	$ 15,523,436	**$ 22,174,718**	**$ 23,099,148**

The accompanying notes are an integral part of these financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Municipal District of Lesser Slave River #124, hereinafter the 'Municipal District', are the representations of management prepared in accordance with Canadian Public Sector Accounting Standards. Significant aspects of the accounting policies adopted by the Municipal District are as follows:

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, change in net financial assets and cash flows of the reporting entity. This entity is comprised of all of the organizations that are owned or controlled by the Municipality and are therefore accountable to the Council for the administration of their financial affairs and resources.

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.

b) 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.

c) Use of Estimates

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 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.

d) Cash and Temporary Investments

Cash and temporary investments include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of three months or less at acquisition.

e) 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.

Investment income is reported as revenue in the period earned. When required by the funding government or related act, investment income earned on deferred revenue is added to the investment, and forms part of the deferred revenue balance.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) 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 Change in Net Financial Assets for the year.

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

	Years
Land improvements	10-25
Buildings and facilities	25-50
Engineered structures	
Roadway systems	10-65
Water systems	5-75
Wastewater systems	5-75
Machinery and equipment	5-25
Vehicles	5-10
Networking and communication systems	5-20

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

ii) Contributions of Tangible Capital Assets

Tangible Capital Assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

iii) 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.

iv) Inventories of consumption

Inventories held for consumption are recorded at the lower of cost or replacement cost, with cost determined using the FIFO method.

g) 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Tax Revenue

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act. Tax rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the Municipal District and are recognized as revenue in the year they are levied.

i) Liability for Contaminated Sites

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.

j) Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from other local governments with respect to outstanding debentures incurred on their behalf for projects unrelated to the Municipal District. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt.

2. CASH AND TEMPORARY INVESTMENTS

	2019	2018
Cash	**$12,134,562**	$ 1,138,027
Temporary Investments	**7,586,583**	9,435,285
	$19,721,145	$ 10,573,312

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2019	2018
Current taxes and grants in place of taxes	**$ 697,680**	$ 911,410
Arrears taxes	**252,305**	101,563
	949,985	1,012,973
Less: Allowance for doubtful accounts	**(314,367)**	(592,016)
	$ 635,618	$ 420,957

4. TRADE AND OTHER RECEIVABLES

	2019	2018
Receivable from other governments	**$ 2,743,521**	$ 150,000
Trade and accrued receivables	**842,430**	1,325,217
Goods and Services Tax	**219,490**	189,716
Utilities	**102,842**	102,325
	3,908,283	1,767,258
Less: Allowance for doubtful accounts	**(3,679)**	(970)
	$ 3,904,604	$ 1,766,288

5. DEBT CHARGES RECOVERABLE

	2019	2018
Current debt charges recoverable	**$ 246,753**	$ 240,691
Long-term debt charges recoverable	**1,762,561**	2,009,314
	$ 2,009,314	$ 2,250,005

The Municipal District assumed a debenture on behalf of Lesser Slave Lake Regional Housing Authority. The Municipal District is not in a partnership with Lesser Slave Lake Regional Housing Authority on the capital project but agreed to obtain the funding required by the Housing Authority and is fully reimbursed for both principal and interest payments.

In 2017, a debenture was borrowed in the amount of $2,600,000 at an interest rate of 2.495% and is repayable in quarterly payments expiring June 2027. Debenture principal and interest repayments are due as follows:

	Principal	Interest	Total
2020	$ 246,753	$ 47,836	$ 294,589
2021	252,967	41,621	294,588
2022	259,338	35,251	294,589
2023	265,869	28,719	294,588
2024	272,565	22,024	294,589
Thereafter	711,822	24,647	736,469
	2,009,314	200,098	2,209,412

These payments are not disclosed as revenues and expenses by the Municipal District as this loan is 100% recoverable from Lesser Slave Lake Regional Housing Authority.

6. INVESTMENTS

	2019		2018	
	Cost	Market Value	Cost	Market Value
Alberta Municipal Financial Corporation Shares	$ -	$ -	$ 50	$ 50
Alberta Treasury Branch – GICs	5,288,380	5,288,380	13,944,173	13,944,173
Province of Ontario Coupon Bonds	147,564	151,239	240,300	249,327
RBC Dominion Securities	-	-	104	104
	$5,435,944	**$5,439,619**	**$14,184,627**	**$14,193,654**

Alberta Treasury Branch held Guaranteed Investment Certificates or Term Deposits at interest rates ranging from 2.59% – 2.80% and mature in 2020.

Coupon Bond bears interest at 6.40% and matures in 2020.

Included in investments is a restricted amount of $2,389,121 received from various Government of Alberta grant programs and is held exclusively for qualifying or specific projects *(Note 8).* In 2018, the restricted amount of $2,209,204 was held in cash.

7. CREDIT FACILITIES

The Municipal District has a non-revolving demand facility for $10,000 by way of a Letter of Guarantee in favour of the Provincial Treasurer in relation to Environmental Protection.

The Municipal District has access to a revolving line of credit with a limit of $1,000,000, bearing interest at prime plus 0.25% in order to finance general operating requirements.

The Municipal District has access to a revolving line of credit with a limit of $1,000,000, bearing interest at prime plus 0.25% in order to finance the acquisition of capital assets.

At December 31, 2019, the combined balance owing on credit facilities was $NIL (2018 - $NIL)

8. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from third parties for a specific purpose. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	2018	Additions	Revenue Recognized	**2019**
Alberta Community Partnership Grant	$ -	$ 133,000	$ -	**$ 133,000**
Federal Gas Tax Fund	-	316,740	(316,740)	**-**
FRIAA Fire Smart Grant	20,025	-	-	**20,025**
Mountain Pine Beetle Grant	95,321	696	-	**96,017**
Municipal Sustainability Initiative – Capital	1,163,806	828,460	(782,196)	**1,210,070**
Red Cross – Highway Markers	18,691	-	-	**18,691**
Tri-Council Regional Recovery Grants	904,713	6,605	-	**911,318**
U of A ATV Training Grant	6,648	-	(6,648)	**-**
	$ 2,209,204	$ 1,285,501	$ (1,105,584)	**$ 2,389,121**

Prepaid Provincial Grants

Funding in the amount of $95,992 was received in 2010 from Alberta Sustainable Resource Development for the mountain pine beetle community grant. The program provides funding to survey and treat beetle-infested trees in private and municipal lands to control the spread of mountain pine beetle infestations. Since 2010 there was $4,110 expended on the project and $4,135 earned in interest.

Funding in the amount of $30,313,400 was received from Alberta Municipal Affairs between 2012-2016 by way of allocation from the regional Tri-Council recovery group consisting of the Municipal District, the Town of Slave Lake and Sawridge First Nations. The funding is for a variety of initiatives related to community betterment and infrastructure improvements and interest is accrued on the unspent portion each year. From 2011-2018, $37,633,962 has been expended and no amounts were spent in 2019.

Funding in the amount of $1,163,806 received in prior years from the Alberta Government Municipal Sustainability Initiative Capital Grant Program for municipalities to manage growth pressures and provide sustainable funding was available for use in 2019, and an additional $828,460 is allocated to the Municipal District for 2019. $782,196 of this funding was allocated to the purchase of a grader and road upgrades and interest earned to date on the balance is $9,856.

9. EMPLOYEE BENEFIT OBLIGATIONS

	2019	2018
Vacation and overtime	**$ 154,244**	$ 168,160

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.

10. LIABILITY FOR CONTAMINATED SITES

	2019	2018
Site clean-up, remediation and monitoring	**$ 349,954**	$ 338,210

The Municipal District has accepted responsibility for remediation work on an individual site within the Municipal District's boundaries for soil contamination. The estimated remediation activities include general site clean-up, additional site investigation, risk assessment and monitoring. This estimated liability is based on current contractor and engineering costs with no estimated recoveries.

11. INVENTORY FOR CONSUMPTION

	2019	2018
Gravel	**$ 625,638**	$ 917,706
Transportation Materials	**471,657**	380,701
ASB Chemicals	**32,607**	35,592
Sewer Supplies and Materials	**372,452**	407,340
	$ 1,502,354	$ 1,741,339

12. LONG-TERM DEBT

	2019	2018
Tax supported debentures – capital (Note 14)	**$ 534,281**	$ 625,713
Self supported debentures – operating	**1,781,818**	1,960,349
Debt charges recoverable (Note 5)	**1,997,558**	2,242,128
	$ 4,313,657	$ 4,828,190

The current portion of the long-term debt amounts to $532,603 (2018 - $514,534)

Principal and interest repayments are as follows:

	Principal	Interest	Total
2020	$ 532,603	$ 142,307	$ 674,910
2021	551,421	123,490	674,911
2022	571,019	103,891	674,910
2023	591,435	83,476	674,911
2024	612,706	62,205	674,911
Thereafter	1,454,473	116,512	1,570,985
	4,313,657	631,881	4,945,538

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest rates ranging from 1.995% to 5.175% per annum and matures in 2024 through to 2030. The average annual interest rate is 4.117%. Debenture debt is issued on the credit and security of the Municipal District at large.

The proceeds from the housing debenture was used to fund a loan to the Lesser Slave Lake Regional Housing Authority for the purpose of re-financing capital construction costs on a senior's facility in the Town of Slave Lake. The interest rate on this debenture is 1.995%. A loan agreement was entered into in 2017 and was recorded as debt charges recoverable at an interest rate of 2.495% and is secured by way of mortgage on the capital property. Both the debenture and the debt charge recoverable will mature on June 15, 2027.

Interest on long-term debt amounted to $157,110 (2018 - $174,616).

The Municipal District's total cash payments for interest in 2019 were $160,163 (2018 - $177,732).

13. 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 Municipal District be disclosed as follows:

	2019	2018
Total debt limit	**$ 28,335,669**	$ 26,137,442
Total debt (Note 12)	**4,313,657**	4,828,190
Amount of debt limit unused	**$ 24,022,012**	$ 21,309,252
Debt servicing limit	**$ 4,722,612**	$ 4,356,240
Debt servicing (Note 12)	**532,603**	514,534
Amount of debt servicing limit unused	**$ 4,190,009**	$ 3,841,706

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.

14. ACCUMULATED SURPLUS

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

	2019	2018
RESTRICTED AMOUNTS		
Operating reserves		
Wildfire Recovery	**$ 582,919**	$ 582,919
Working capital - general	**2,478,069**	2,478,069
Financial management	**271,308**	271,308
Building	**256,921**	232,921
Transportation - operating	**859,962**	464,962
Drainage	**45,000**	40,000
Municipal-in-lieu	**29,722**	29,722
ASB - weed spraying	**16,020**	16,020
Regional development	**5,400**	5,400
Water line contingency	**250,000**	200,000
Sewer line contingency	**93,875**	93,875
	4,889,196	4,415,196
Capital reserves		
General capital	**2,622,536**	2,603,530
Transportation - capital	**9,584,438**	8,954,978
Sewer construction	**1,508,975**	1,285,621
Water construction	**1,020,113**	850,667
Fire protection	**668,484**	589,618
Recreation	**78,598**	78,029
Landfill	**62,740**	57,286
Equipment replacement	**2,039,913**	1,315,036
EDP equipment	**37,112**	28,843
Economic development - VIC	**233,128**	215,918
Cultural	**123,546**	122,650
	17,979,583	16,102,176
	22,868,779	20,517,372
EQUITY IN TANGIBLE CAPITAL ASSETS		
Tangible capital assets	107,817,728	111,546,511
Long-term debt (tax-supported)	(534,281)	(625,713)
	107,283,447	110,920,798
UNRESTRICTED AMOUNTS	1,216,895	856,361
	$ 131,369,121	$ 132,294,531

15. SEGMENTED DISCLOSURE

The Municipal District of Lesser Slave River No. 124 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 2).

16. SALARY AND BENEFITS DISCLOSURE

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

	2019			2018
	Salary (1)	Benefits & Allowances (2)	**Total**	Total
Councillors:				
Commins	$ 24,377	$ -	**$ 24,377**	$ 29,653
Esau	33,635	253	**33,888**	31,153
Kerik	42,527	253	**42,780**	35,303
Melzer	43,461	253	**43,714**	29,903
Pearson	39,782	253	**40,035**	29,653
Peiffer	30,146	253	**30,399**	27,473
Rosche	27,552	253	**27,805**	23,603
Chief Administrative Officer	211,778	27,887	**239,665**	231,018
	$ 453,258	$ 29,405	**$ 482,663**	$ 437,759

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the 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.

17. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipal District participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 265,813 people and 421 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Municipal District is required to make current service contributions to the LAPP of 9.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% on pensionable earnings above this amount. Employees of the Municipal District are required to make current service contributions of 8.39% of pensionable salary up to the year's maximum pensionable salary and 12.84% on pensionable salary above this amount.

Total current service contributions by the Municipal District to the LAPP in 2019 were $350,037 (2018 - $420,280). Total current service contributions by the employees of the Municipal District to the Local Authorities Pension Plan in 2019 were $315,779 (2018 - $383,594).

At December 31, 2018, the LAPP disclosed an actuarial surplus of $3.469 billion (2017 – $4.835 million).

18. CONTINGENCIES

(a) Alberta Local Authorities Genesis Reciprocal Insurance Exchange

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

19. CONTRACTUAL OBLIGATIONS

(a) Town of Slave Lake

The Municipal District and the Town of Slave Lake have entered into an Inter-municipal Cost Sharing Agreement. Under the terms of the Agreement the Municipal District is committed to pay a proportionate share of the net operating costs related to the recreation services, community services, and animal control services provided by the Town. The proportionate share is based on the populations of the Town of Slave Lake and the immediate surrounding area of the Municipal District. The proportionate share for the Municipal District in 2019 was 21%. In addition, in this Agreement the Municipal District is committed to paying 10% of the tax revenue resulting from assessment growth in the Mitsue Industrial Area.

(b) Regional Fire Service

The Municipal District and the Town of Slave Lake have entered into a Regional Fire Service Agreement with the Town of Slave Lake to provide a regional fire service. Under the terms of the Agreement, the Municipal District is committed to pay a proportionate share of the net operating and capital costs of the fire service. The proportionate share for operating costs is tied to the percentage of responses occurring in the Municipal District. This amount can fluctuate annually. The proportionate share for capital costs of the regional fire service is 50% based on the approved capital plan.

20. FINANCIAL INSTRUMENTS

The Municipal District's financial instruments consist of cash, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities, employee benefit obligations, reclamation liabilities, and long-term debt. It is management's opinion that the Municipal District is not exposed to significant interest or currency risks arising from these financial instruments.

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

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

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

22. BUDGET DATA

The budget presented in these financial statements are based upon the 2019 operating and capital budgets approved by Council on April 10,2019

The table below reconciles the approved budget to the budgeted figures reported in these financial statements.

	Budget Amount
Revenue	
Operating budget	$ 17,164,940
Capital budget	3,121,326
Less:	
Transfers from other funds	(4,144,665)
Total Revenue	16,141,601
Expenses	
Operating budget	17,164,940
Capital budget	3,121,326
Less:	
Transfers to other funds	(1,371,541)
Capital Expenditures	(3,121,326)
Long-term debt principal payments	(269,963)
Total expenses	15,523,436
Annual Surplus	$ 618,165

23. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary to conform to the 2019 presentation.

24. SUBSEQUENT EVENTS

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the coronavirus disease 2019 ("COVID-19") outbreak. The measures implemented by governments, businesses and other organizations to safeguard against COVID-19 may have a significant effect on the Municipality's future operations. An estimate of the financial effects, if any, cannot be made at this time.