Financial Statements of

**Municipal District of
Lesser Slave River No. 124**

December 31, 2020

TABLE OF CONTENTS

	PAGE
Management's Report	3
Independent Auditors' Report	4
Statement of Financial Position	6
Statement of Operations & Accumulated Surplus	7
Statement of Change in Net Financial Assets	8
Statement of Cash Flows	9
Schedule of Tangible Capital Assets	10
Schedule of Segmented Disclosure	11
Schedule of Property and Other Taxes	13
Schedule of Government Transfers	14
Schedule of Expenditures by Object	15
Notes to Financial Statements	16

Lesser Slave River

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

MANAGEMENT'S REPORT
DECEMBER 31, 2020

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
September 22, 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, 2020, 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, 2020, 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)

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
September 22, 2021

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Financial Position
As at December 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash and Temporary Investment (*Note 2)*	$ 26,598,441	$ 19,721,145
Receivables		
Taxes and grants in lieu of taxes (*Note 3)*	463,646	635,618
Trade and other receivables (*Note 4)*	3,909,398	3,904,604
Other long-term receivables	700,148	817,581
Debt charges recoverable *(Note 5)*	1,762,561	2,009,314
Investments (*Note 6)*	-	5,435,944
	33,434,194	32,524,206
LIABILITIES		
Accounts payable and accrued liabilities	2,869,220	3,190,798
Deposit liabilities	451,542	323,031
Deferred revenue (*Note 8)*	2,400,556	2,389,121
Employee benefit obligations (*Note 9)*	168,060	154,244
Liability for Contaminated Sites *(Note 10)*	352,403	349,954
Long-term debt (*Notes 12,13)*	3,781,053	4,313,657
	10,022,834	10,720,805
NET FINANCIAL ASSETS	**23,411,360**	**21,803,401**
NON-FINANCIAL ASSETS		
Tangible capital assets *(Schedule 1)*	102,661,902	107,817,728
Inventory for consumption *(Note 11)*	1,334,515	1,502,354
Prepaid expense	461,641	245,638
	104,458,058	109,565,720
ACCUMULATED SURPLUS *(Note 14)*	**$ 127,869,418**	**$ 131,369,121**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Operations & Accumulated Surplus
For the Year Ended December 31, 2020

	2020 Budget *(Note 22)*	2020 Actual	2019 Actual
REVENUE			
Net municipal property taxes *(Schedule 3)*	$ 13,423,000	$ 13,997,197	$ 13,527,644
Government transfers *(Schedule 4)*	335,466	688,593	2,103,670
User fees and sales of goods	1,321,300	1,641,883	1,654,033
Investment income	605,000	384,613	703,427
Penalties and costs of taxes	123,000	101,372	136,631
Licenses and permits	20,000	21,740	18,140
Other	159,000	667,746	746,901
Total revenue	**15,986,766**	**17,503,144**	**18,890,446**
EXPENSES			
Legislative	295,650	279,582	308,012
Administration	2,758,668	2,682,899	2,764,499
Protective Services	1,069,095	1,414,103	2,580,122
Roads, streets, walks, lighting	4,222,531	9,315,194	8,922,818
Common services	1,538,164	1,757,947	1,725,300
Water supply and distribution	1,279,179	2,147,315	1,996,467
Wastewater treatment and disposal	1,008,544	1,554,305	1,505,356
Waste management	384,693	399,171	395,801
Family and community support	102,634	134,832	90,012
Agriculture, planning and development	825,227	786,582	789,934
Parks, recreation, culture	523,671	739,295	708,662
Inter-municipal cost sharing *(Note 20)*	540,000	235,048	387,735
Total expenses	**14,548,056**	**21,446,273**	**22,174,718**
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER REVENUE	1,438,710	(3,943,129)	(3,284,272)
OTHER REVENUE			
Government transfers for capital *(Schedule 4)*	-	235,114	2,266,183
Gain on disposal of tangible capital assets	-	208,312	92,679
	-	**443,426**	**2,358,862**
ANNUAL SURPLUS (DEFICIT)	**1,438,710**	**(3,499,703)**	**(925,410)**
ACCUMULATED SURPLUS, BEGINNING OF YEAR	$ 131,369,121	$ 131,369,121	$ 132,294,531
ACCUMULATED SURPLUS, END OF YEAR *(Note 14)*	**$ 132,807,831**	**$ 127,869,418**	**$ 131,369,121**

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, 2020

	2020 Budget *(Note 22)*	2020 Actual	2019 Actual
ANNUAL SURPLUS (DEFICIT)	**$ 1,438,710**	**$ (3,499,703)**	**$ (925,410)**
Acquisition of tangible capital assets	(3,210,775)	(2,277,099)	(3,547,091)
Proceeds on disposal of tangible capital assets	-	269,851	320,816
Amortization of tangible capital assets	-	6,954,765	7,047,737
Gain on disposal of tangible capital assets	-	208,312	(92,679)
	(1,772,065)	**1,656,126**	**2,803,373**
Change in inventory for consumption	-	167,835	238,985
Change in prepaid expenses	-	(216,002)	(29,477)
	-	**(48,167)**	**209,507**
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,772,065)	1,607,959	3,012,881
NET FINANCIAL ASSETS, BEGINNING OF YEAR	21,803,401	21,803,401	18,790,520
NET FINANCIAL ASSETS, END OF YEAR	**$20,031,336**	**$ 23,411,360**	**$ 21,803,401**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Cash Flows
For the Year Ended December 31, 2020

	2020 Actual	2019 Actual
Operating Activities		
Annual surplus (deficit)	$ (3,499,703)	$ (925,410)
Non-cash items included in annual surplus		
Amortization of tangible capital assets	6,954,765	7,047,737
Gain on disposal of tangible capital assets	(208,312)	(92,679)
Net change in non-cash operating working capital balances:		
Decrease (increase) in taxes and grants in place	171,972	(214,661)
Decrease (increase) in trade and other receivables	(4,794)	(2,138,316)
Decrease (increase) in other long-term receivables	117,433	120,563
Decrease (increase) in debt charges recoverable	246,753	240,691
Decrease (increase) in prepaid expenses	(216,002)	(29,478)
Decrease (increase) in inventory for consumption	167,835	238,985
Increase (decrease) in accounts payable and accrued liabilities	(650,716)	(276,962)
Increase (decrease) in deposit liabilities	457,649	(8,257)
Increase (decrease) in deferred revenue	11,435	179,917
Increase (decrease) in employee benefit obligations	13,816	(13,916)
Increase in environmental liabilities	2,449	11,744
Cash provided by operating transactions	**3,564,580**	**4,139,958**
Capital Activities		
Purchase of tangible capital assets	(2,277,099)	(3,547,091)
Proceeds on disposal of tangible capital assets	269,851	320,816
Proceeds on insurance recovery	416,620	-
Cash applied to capital transactions	**(1,590,628)**	**(3,226,275)**
Financing Activities		
Long-term debt repaid	(532,604)	(514,533)
Cash applied to financing transactions	**(532,604)**	**(514,533)**
Investing Activities		
Decrease in investments	5,435,948	8,748,683
Cash provided by investing transactions	**5,435,948**	**8,748,683**
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	6,877,296	9,147,833
CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF YEAR	19,721,145	10,573,312
CASH AND TEMPORARY INVESTMENTS AT END OF YEAR	**$ 26,598,441**	**$ 19,721,145**

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, 2020

	Land	**Engineered Structures**	**Buildings & Facilities**	**Machinery & Equipment**	**Vehicles**	**Work In Progress**	**2020**	**2019**
COST								
BALANCE, BEGINNING 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
Acquisition of tangible capital assets	-	-	-	971,000	238,627	1,067,472	**2,277,099**	3,547,091
Transfer in (out) of work in progress	-	671,644	52,353	131,550	-	(855,547)	**-**	-
Disposals	-	-	-	(969,340)	-	-	**(969,340)**	(1,290,503)
BALANCE, END OF YEAR	2,741,801	153,908,983	35,933,157	10,990,767	2,007,415	20,457,917	**226,040,040**	224,732,281
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	93,192,292	16,476,477	6,406,958	838,826	-	**116,914,553**	110,929,182
Annual amortization	-	4,808,621	1,116,638	783,754	245,752	-	**6,954,765**	7,047,737
Disposals	-	-		(491,180)		-	**(491,180)**	(1,062,366)
BALANCE, END OF YEAR	-	98,000,913	17,593,115	6,699,532	1,084,578	-	**123,378,138**	**116,914,553**
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 2,741,801	$ 55,908,070	$ 18,340,042	$ 4,291,235	$ 922,837	$ 20,457,917	**$ 102,661,902**	
2019 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

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, 2020

"Schedule 2"

2020	**General Government**	**Protective Services**	**Transportation Services**	**Environmental Services**	**Planning & Development**	**Recreation & Culture**	**Total**
REVENUE							
Net municipal taxes	$ 13,997,197	$ -	$ -	$ -	$ -	$ -	**$ 13,997,197**
Government transfers	378,288	64,119	65,209	169,905	246,186	-	**923,707**
User fees and sales of goods	31,711	-	421,174	1,160,025	11,705	17,268	**1,641,883**
Investment income	384,613	-	-	-	-	-	**384,613**
Other revenues	972,592	9,915	-	4,038	12,625	-	**999,170**
	15,764,401	74,034	486,383	1,333,968	270,516	17,268	**17,946,570**
EXPENSES							
Contracted and general services	1,129,095	334,341	1,697,985	833,689	329,185	120,333	**4,444,628**
Salaries, wages and benefits	1,231,219	140,174	2,695,414	976,227	421,020	89,158	**5,553,212**
Goods and supplies	111,470	80,151	1,540,673	748,542	59,831	50,267	**2,590,934**
Transfers to other governments and boards	238,798	642,423	100,000	101,077	106,723	194,709	**1,383,730**
Long-term debt interest	38,395	-	-	100,486	-	-	**138,881**
Other expenses	379,945	-	-	178	-	-	**380,123**
	3,187,082	1,197,089	6,034,072	2,760,199	916,759	454,467	**14,491,508**
NET REVENUE (DEFICIT), BEFORE AMORTIZATION	12,635,479	(1,123,055)	(5,547,689)	(1,426,231)	(646,243)	(437,199)	**3,455,062**
Amortization	68,605	217,014	5,039,068	1,340,594	4,656	284,828	**6,954,765**
ANNUAL SURPLUS (DEFICIT)	**$ 12,566,874**	**$ (1,340,069)**	**$ (10,586,757)**	**$(2,766,825)**	**$ (650,899)**	**$ (722,027)**	**$ (3,499,703)**

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, 2020

"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	1,457,676	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	66,106	223,067	5,124,512	1,326,116	7,718	297,218	**7,047,737**
ANNUAL SURPLUS (DEFICIT)	**$ 11,975,673**	**$ (983,914)**	**$ (8,037,006)**	**$ (2,731,858)**	**$ (510,004)**	**$ (638,301)**	**$ (925,410)**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Property Taxes and Other Taxes "Schedule 3"
For the Year Ended December 31, 2020

	2020 Budget *(Note 22)*	2020 Actual	2019 Actual
TAXATION			
Real property taxes	$ 12,173,000	$ 12,390,086	$ 12,321,291
Linear property taxes	5,590,000	5,872,963	5,586,707
Designated Industrial Property	76,000	74,970	77,834
Government grants in place of property taxes	-	-	-
	17,839,000	**18,338,019**	**17,985,832**
REQUISITIONS			
Alberta School Foundation Fund	3,790,000	3,694,641	3,828,120
Seniors Lodges	550,000	572,840	552,234
Designated Industrial Property	76,000	73,341	77,834
	4,416,000	**4,340,822**	**4,458,188**
NET MUNICIPAL TAXES	**$ 13,423,000**	**$ 13,997,197**	**13,527,644**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Government Transfers
For the Year Ended December 31, 2020 "Schedule 4"

	2020 Budget *(Note 22)*	**2020 Actual**	**2019 Actual**
TRANSFERS FOR OPERATING			
Provincial government	$310,466	$ 642,383	$ 2,057,023
Local governments	25,000	46,210	46,647
	335,466	**688,593**	**2,103,670**
TRANSFERS FOR CAPITAL			
Provincial government	-	235,114	2,266,183
TOTAL GOVERNMENT TRANSFERS	**$335,466**	**$ 923,707**	**$ 4,369,853**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Schedule of Expenses by Object
For the Year Ended December 31, 2020 "Schedule 5"

	2020 Budget *(Note 22)*	2020 Actual	2019 Actual
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 5,906,734	$ 5,553,212	$ 5,467,401
Contracted and general services	3,599,433	4,444,628	4,912,998
Materials, goods and utilities	2,935,325	2,590,934	2,755,506
Provision for allowances	350,000	376,580	305,417
Transfers to local boards and agencies	1,612,850	1,383,730	1,526,965
Bank charges and short-term interest	1,400	3,543	1,584
Interest on long-term debt	142,314	138,881	157,110
Amortization	-	6,954,765	7,047,737
	$ 14,548,056	**$ 21,446,273**	**$ 22,174,718**

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

	2020	2019
Cash	**$18,473,648**	12,134,562
Temporary Investments	**8,124,793**	7,586,583
	$26,598,441	$19,721,145

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2020	2019
Current taxes and grants in place of taxes	**$ 503,812**	$ 697,680
Arrears taxes	**131,797**	252,305
	635,609	949,985
Less: Allowance for doubtful accounts	**(171,963)**	(314,367)
	$ 463,646	$ 635,618

4. TRADE AND OTHER RECEIVABLES

	2020	2019
Receivable from other governments	**$ 2,971,790**	$ 2,743,521
Trade and accrued receivables	**592,869**	842,430
Goods and Services Tax	**249,623**	219,490
Utilities	**104,031**	102,842
	3,918,313	3,908,283
Less: Allowance for doubtful accounts	**(8,915)**	(3,679)
	$ 3,909,398	$ 3,904,604

5. DEBT CHARGES RECOVERABLE

	2020	2019
Current debt charges recoverable	**$ 252,967**	$ 246,753
Long-term debt charges recoverable	**1,509,594**	1,762,561
	$1,762,561	$ 2,009,314

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
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
2025	279,429	15,159	294,588
Thereafter	432,393	9,489	441,882
	1,762,561	152,263	1,914,824

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

	2020		2019	
	Cost	Market Value	**Cost**	**Market Value**
Alberta Municipal Financial Corporation Shares	$ -	$ -	$	$
Alberta Treasury Branch – GICs	-	-	5,288,380	5,288,380
Province of Ontario Coupon Bonds	-	-	147,564	151,239
RBC Dominion Securities	-	-	-	-
	$ -	$ -	**$5,435,944**	**$5,439,619**

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

Coupon Bonds bearing interest at 6.40% and matured in 2020.

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, 2020, the combined balance owing on credit facilities was $NIL (2019 - $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.

	2019	Additions	Revenue Recognized	**2020**
Alberta Community Partnership Grant	$133,000	$ 971	$ -	**$ 133,971**
Federal Gas Tax Fund	-	-	-	**-**
FRIAA Fire Smart Grant	20,025	146	-	**20,171**
Mountain Pine Beetle Grant	96,017	701	-	**96,718**
Municipal Sustainability Initiative – Capital	1,210,070	2,827	-	**1,212,897**
Red Cross – Highway Markers	18,691	137	-	**18,828**
Tri-Council Regional Recovery Grants	911,318	6,653	-	**917,971**
Municipal Operating Support Transfer (MOST)	-	289,639	(289,639)	**-**
	$ 2,389,121	$301,074	$ (289,639)	**$ 2,400,556**

Prepaid Provincial Grants

Operating funding in the amount of $289,639 was received in 2020 from Alberta and Canada under the Safe Restart Agreement. The funding was used in 2020.

9. EMPLOYEE BENEFIT OBLIGATIONS

	2020	2019
Vacation and overtime	**$ 168,060**	$ 154,244

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

	2020	2019
Site clean-up, remediation and monitoring	**$ 352,403**	$ 349,954

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

	2020	2019
Gravel	**$ 600,552**	$ 625,638
Transportation Materials	**329,050**	471,657
ASB Chemicals	**36,343**	32,607
Sewer Supplies and Materials	**368,570**	372,452
	$ 1,334,515	$ 1,502,354

12. LONG-TERM DEBT

	2020	2019
Tax supported debentures – capital (Note 14)	**$ 438,056**	$ 534,281
Self supported debentures – operating	**1,594,913**	1,781,818
Debt charges recoverable (Note 5)	**1,748,084**	1,997,558
	$ 3,781,053	$ 4,313,657

The current portion of the long-term debt amounts to $551,421 (2019 - $532,603)

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2025	405,360	42,971	448,331
Thereafter	1,049,112	73,541	1,122,653
	3,781,053	489,574	4,270,627

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 $138,881 (2019 - $157,110).

The Municipal District's total cash payments for interest in 2020 were $142,307 (2019 - $160,163).

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:

	2020	2019
Total debt limit	**$ 26,254,716**	$ 28,335,669
Total debt (Note 12)	**3,781,053**	4,313,657
Amount of debt limit unused	**$ 22,473,663**	$ 24,022,012
Debt servicing limit	**$ 4,375,786**	$ 4,722,612
Debt servicing (Note 12)	**551,421**	532,603
Amount of debt servicing limit unused	**$ 3,824,365**	$ 4,190,009

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:

	2020	2019
RESTRICTED AMOUNTS		
Operating reserves		
Wildfire Recovery	**$ 582,919**	$ 582,919
Working capital - general	**2,293,968**	2,478,069
Financial management	**271,308**	271,308
Building	**256,921**	256,921
Transportation - operating	**516,930**	859,962
Drainage	**45,000**	45,000
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**	250,000
Sewer line contingency	**93,875**	93,875
	4,362,063	4,889,196
Capital reserves		
General capital	**2,572,461**	2,622,536
Transportation - capital	**9,569,176**	9,584,438
Sewer construction	**1,291,745**	1,508,975
Water construction	**1,027,393**	1,020,113
Fire protection	**636,752**	668,484
Recreation	**79,109**	78,598
Harbour/Boat Launch	**100,000**	-
Landfill	**63,181**	62,740
Equipment replacement	**428,346**	2,039,913
EDP equipment	**37,405**	37,112
Economic development - VIC	**234,744**	233,128
Cultural	**124,349**	123,546
	16,164,661	17,979,583
	20,526,724	22,868,779
EQUITY IN TANGIBLE CAPITAL ASSETS		
Tangible capital assets	**102,661,902**	107,817,728
Long-term debt (tax-supported)	**(438,056)**	(534,281)
	102,223,846	107,283,447
UNRESTRICTED AMOUNTS	**5,118,848**	1,216,895
	$ 127,869,418	$ 131,369,121

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:

			2020	2019
	Salary (1)	Benefits & Allowances (2)	**Total**	Total
Councillors:				
Commins	$ -	$ -	**$ -**	$ 24,377
Acton	28,898	273	**29,171**	-
Esau	35,158	253	**35,411**	33,888
Kerik	41,410	253	**41,663**	42,780
Melzer	38,048	253	**38,301**	43,714
Pearson	40,360	253	**40,613**	40,035
Peiffer	33,942	253	**34,195**	30,399
Rosche	16,660	253	**16,913**	27,805
Chief Administrative Officer	252,059	24,046	**276,105**	239,665
	$ 486,535	$ 25,837	**$ 512,372**	$ 482,663

(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 275,863 people and 433 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 2020 were $334,715 (2019 - $350,037). Total current service contributions by the employees of the Municipal District to the Local Authorities Pension Plan in 2020 were $301,949 (2019 - $315,779).

At December 31, 2020, the LAPP disclosed an actuarial surplus of $4.961 billion (2019 – $7.913 Billion).

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 2020 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 2020 operating and capital budgets approved by Council on April 08,2020

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

	Budget Amount
Revenue	
Operating budget	$ 20,402,766
Capital budget	3,210,775
Less:	
Transfers from other funds	(7,626,775)
Total Revenue	15,986,766
Expenses	
Operating budget	18,964,056
Capital budget	3,210,775
Less:	
Transfers to other funds	(4,132,870)
Capital Expenditures	(3,210,775)
Long-term debt principal payments	(283,130)
Total expenses	14,548,056
Annual Surplus	$ 1,438,710