

TOWN OF SMOKY LAKE
Financial Statements
Year Ended December 31, 2025

TOWN OF SMOKY LAKE
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Year Ended December 31, 2025

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


Town of Smoky Lake's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the accompanying notes. Management believes that the consolidated financial statements present fairly the Town's financial position as at December 31, 2025 and the results of its operations for the year then ended.

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


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

The Town Council is responsible for overseeing management in the performance of its reporting responsibilities, and for approving the consolidated financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

The consolidated financial statements have been audited by the independent firm of JDP Wasserman LLP. Their report to the Members of Council of the Town of Smoky Lake, stating the scope of their examination and opinion on the financial statements, follow.



Rod Hawker
Interim Chief Administrative Officer



Crystal Bryks
Assistant Chief Administrative Officer

April 28, 2026



INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the Town of Smoky Lake

Opinion

We have audited the consolidated financial statements of the Town of Smoky Lake and its controlled entities (the Town), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement 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, 2025, 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.

(continues)



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Town's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Town to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

JDP Wasserman LLP

JDP Wasserman LLP
Chartered Professional Accountants
Wetaskiwin, Alberta
April 28, 2026

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 2,016,017	\$ 397,257
Restricted cash (Note 2)	1,127,812	735,099
Taxes receivable (Note 3)	339,198	319,827
Trade and other receivable (Note 3)	297,527	429,758
Due from other governments (Note 4)	1,145,929	3,443,848
Notes receivable (Note 5)	-	590,000
Investments (Note 6)	10,000	10,000
Land held for resale (Note 7)	345,488	371,477
	<u>5,281,971</u>	<u>6,297,266</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	394,641	1,072,494
Deposit liabilities (Note 9)	104,382	115,257
Deferred revenue (Note 10)	1,805,994	2,239,407
Long-term debt (Note 11)	1,796,601	631,501
Contaminated site liability (Note 13)	31,914	34,904
Asset retirement obligation (Note 14)	154,227	147,103
	<u>4,287,759</u>	<u>4,240,666</u>
NET FINANCIAL ASSETS	<u>994,212</u>	<u>2,056,600</u>
NON-FINANCIAL ASSETS		
Inventory for consumption	190,362	189,728
Prepaid expenses	33,304	27,870
Tangible capital assets (Schedule 1)	12,945,285	11,303,775
	<u>13,168,951</u>	<u>11,521,373</u>
ACCUMULATED SURPLUS (Note 16)	<u>\$ 14,163,163</u>	<u>\$ 13,577,973</u>

CONTINGENCIES AND COMMITMENTS (Note 22)

APPROVED BY COUNCIL:



Mayor



Council Member

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, 2025

	Budget 2025 <i>(Unaudited)</i>	Actual 2025	Actual 2024
REVENUES			
Net municipal property tax <i>(Schedule 2)</i>	\$ 1,190,167	\$ 1,163,678	\$ 1,122,682
User fees and sale of goods	2,143,399	2,081,756	2,192,902
Penalties and costs on taxes	52,200	41,983	47,391
Franchise and concession contracts <i>(Note 17)</i>	100,067	97,463	97,767
Licenses and permits	21,500	21,469	20,621
Other revenue	46,900	83,382	50,009
Investment income	145,521	71,666	87,889
Rentals	33,062	22,229	41,944
Government transfers for operating <i>(Schedule 3)</i>	258,018	368,363	656,470
	3,990,834	3,951,989	4,317,675
EXPENSES			
Legislative	202,200	140,168	125,211
General administration	539,872	572,993	562,338
Protective services	256,484	178,247	171,987
Transportation	839,007	807,784	870,767
Environmental	1,108,975	1,318,799	1,318,606
Community services	152,197	335,703	183,357
Planning and development	108,408	306,029	165,464
Recreation and culture	205,405	213,567	210,519
Other	483,675	609,867	742,224
	3,896,223	4,483,157	4,350,473
OPERATING SURPLUS (DEFICIT) BEFORE OTHER	94,611	(531,168)	(32,798)
OTHER ITEMS			
Government transfers for capital	725,500	1,122,804	2,866,148
Other transfers for capital	-	-	77,910
Gain (loss) on disposal of tangible capital assets	-	(6,446)	18,096
	725,500	1,116,358	2,962,154
ANNUAL SURPLUS (DEFICIT)	820,111	585,190	2,929,356
ACCUMULATED SURPLUS - TO BEGIN YEAR	13,577,973	13,577,973	10,648,617
ACCUMULATED SURPLUS - END OF YEAR	\$ 14,398,084	\$ 14,163,163	\$ 13,577,973

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, 2025

	Budget 2025	2025	2024
ANNUAL SURPLUS	\$ 820,111	\$ 585,190	\$ 2,929,356
Amortization of tangible capital assets	-	465,790	429,765
Acquisition of tangible capital assets	(845,500)	(2,401,127)	(3,009,458)
Proceeds on disposal of tangible capital assets	-	303,327	18,096
Gain on disposal of assets	-	6,446	(18,096)
Adjustment to tangible capital assets	-	(135,948)	(3,908)
Land transferred to land held for resale	-	120,000	8,015
Use (acquisition) of prepaid expenses	-	(5,432)	21,585
Use (acquisition) of inventory for consumption	-	(634)	(68,003)
	(845,500)	(1,647,578)	(2,622,004)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(25,389)	(1,062,388)	307,352
NET FINANCIAL ASSETS - BEGINNING OF YEAR	2,056,600	2,056,600	1,749,248
NET FINANCIAL ASSETS - END OF YEAR	\$ 2,031,211	\$ 994,212	\$ 2,056,600

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2025

	2025	2024
OPERATING TRANSACTIONS		
Annual surplus	\$ 585,190	\$ 2,929,356
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	465,790	429,765
Loss (gain) on disposal of tangible capital assets	6,446	(18,096)
Accretion	7,124	6,795
	<u>1,064,550</u>	<u>3,347,820</u>
Changes in non-cash working capital:		
Prepaid expenses	(5,432)	21,585
Taxes and grants in place of taxes	(19,371)	56,905
Trade and other receivables	132,231	(77,915)
Accounts payable and accrued liabilities	(677,853)	380,579
Deferred revenue	(433,413)	(1,970,289)
Deposit liabilities	(10,875)	104,911
Land held for resale	25,989	(125,946)
Due from other governments	2,297,919	1,026,350
Notes receivable	590,000	-
Inventory for consumption	(634)	(68,003)
	<u>1,898,561</u>	<u>(651,823)</u>
Cash flow from operating transactions	<u>2,963,111</u>	<u>2,695,997</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,401,127)	(3,009,458)
Proceeds on disposal of tangible capital assets	303,327	18,096
Transfer of tangible capital asset to inventory	120,000	8,015
Change in estimate of asset retirement obligation	-	16,232
Adjustment to tangible capital assets	(135,948)	(3,908)
Cash flow used by capital transactions	<u>(2,113,748)</u>	<u>(2,971,023)</u>
FINANCING TRANSACTIONS		
Proceeds from long-term financing	1,224,205	-
Repayment of long-term debt	(59,105)	(57,393)
Increase in restricted cash	(392,713)	(178,940)
Repayment of contaminated site liability	(2,990)	-
Cash flow from (used by) financing transactions	<u>769,397</u>	<u>(236,333)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,618,760	(511,359)
Cash and cash equivalents - beginning of year	<u>397,257</u>	<u>908,616</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,016,017	\$ 397,257

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Tangible Capital Assets
For the Year Ended December 31, 2025

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2025	2024
<u>Cost:</u>								
Balance, beginning of year	\$ 834,223	\$ 597,124	\$ 1,158,672	\$ 20,211,069	\$ 2,490,011	\$ 499,746	\$ 25,790,845	\$ 22,850,418
Acquisition of tangible capital assets	-	-	8,600	2,103,106	239,484	49,937	2,401,127	3,009,458
Transfers and adjustments	(227,569)	(25,828)	-	35,170	(2,980)	-	(221,207)	9,342
Disposals	(50,000)	-	(247,748)	-	(69,884)	-	(367,632)	(78,373)
Balance, end of year	556,654	571,296	919,524	22,349,345	2,656,631	549,683	27,603,133	25,790,845
<u>Accumulated Amortization</u>								
Balance, beginning of year	-	328,703	363,821	11,636,183	1,768,434	389,929	14,487,070	14,122,229
Add: amortization	-	20,028	22,394	313,901	92,850	16,617	465,790	429,765
Transfers and adjustments	-	(8,342)	(2,108)	(55,683)	(47,952)	(123,069)	(237,154)	5,434
Less: amortization on disposals	-	-	(4,955)	-	(52,903)	-	(57,858)	(70,358)
Balance, end of year	-	340,389	379,152	11,894,401	1,760,429	283,477	14,657,848	14,487,070
Net book value of tangible capital assets	\$ 556,654	\$ 230,907	\$ 540,372	\$ 10,454,944	\$ 896,202	\$ 266,206	\$ 12,945,285	\$ 11,303,775
2024 Net book value of tangible capital assets	\$ 834,223	\$ 268,421	\$ 794,851	\$ 8,574,886	\$ 721,577	\$ 109,817	\$ 11,303,775	

The accompanying notes are an integral part of these consolidated financial statements
JDP Wasserman LLP

TOWN OF SMOKY LAKE
Consolidated Schedule of Property Taxes
For the Year Ended December 31, 2025

(Schedule 2)

	Budget 2025	Actual 2025	Actual 2024
TAXATION			
Real property taxes	\$ 1,495,364	\$ 1,464,297	\$ 1,389,062
Linear property tax	52,739	56,120	54,527
Government grants in place of property tax	20,985	22,184	21,014
	<u>1,569,088</u>	<u>1,542,601</u>	<u>1,464,603</u>
REQUISITIONS			
Alberta School Foundation Fund	307,866	307,868	271,784
Smoky Lake Foundation	71,055	71,055	70,137
	<u>378,921</u>	<u>378,923</u>	<u>341,921</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 1,190,167</u>	<u>\$ 1,163,678</u>	<u>\$ 1,122,682</u>

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Government Transfers
For the Year Ended December 31, 2025

(Schedule 3)

	Budget 2025	Actual 2025	Actual 2024
TRANSFERS FOR OPERATING			
Provincial government	\$ 237,052	\$ 311,865	\$ 624,279
Federal government	1,900	54,398	1,920
Local government	19,066	2,100	30,271
	<u>258,018</u>	<u>368,363</u>	<u>656,470</u>
TRANSFERS FOR CAPITAL			
Provincial government	-	1,122,804	2,866,148
TOTAL GOVERNMENT TRANSFERS	<u>\$ 258,018</u>	<u>\$ 1,491,167</u>	<u>\$ 3,522,618</u>

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met. Capital transfers are recognized in the period in which the related expenditures are incurred.

TOWN OF SMOKY LAKE
Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2025

(Schedule 4)

	General government	Protective services	Transportation services	Environmental services	Community services	Planning and development	Recreation and culture	Other services	2025
REVENUES									
Net municipal taxes	\$ 1,163,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,163,678
User fees and sales of goods	75,614	-	593	1,197,880	-	36,000	-	771,669	2,081,756
Penalties and costs on taxes	41,983	-	-	-	-	-	-	-	41,983
Franchise and concession contracts	97,463	-	-	-	-	-	-	-	97,463
Licenses and permits	16,222	922	-	-	-	4,325	-	-	21,469
Other revenues	22,511	-	12,010	-	41,104	438	6,929	390	83,382
Investment income	71,666	-	-	-	-	-	-	-	71,666
Rentals	569	21,660	-	-	-	-	-	-	22,229
Government transfers for operating	72,676	-	-	23,558	231,708	5,500	34,921	-	368,363
	1,562,382	22,582	12,603	1,221,438	272,812	46,263	41,850	772,059	3,951,989
EXPENSES									
Contracted and general services	267,120	99,154	75,556	922,704	121,404	99,305	42,246	86,853	1,714,342
Materials, goods and utilities	82,274	43,377	274,521	22,204	6,239	-	34,287	344,588	807,490
Provisions for allowances	50,928	-	(135,948)	-	-	114,457	5,381	-	34,818
Salaries, wages and benefits	265,948	23,849	392,584	218,136	123,060	91,599	16,490	121,041	1,252,707
Transfers to local boards and agencies	-	-	-	-	85,000	-	93,773	-	178,773
Transfer to individuals and organizations	7,300	-	-	-	-	-	-	-	7,300
Interest on long-term debt	11,661	-	4,206	1,521	-	-	-	4,549	21,937
Amortization of tangible capital assets	27,930	11,867	196,865	154,234	-	668	21,390	52,836	465,790
	713,161	178,247	807,784	1,318,799	335,703	306,029	213,567	609,867	4,483,157
OTHER ITEMS									
Government transfers for capital	19,208	-	303,369	720,213	-	-	-	80,014	1,122,804
Other transfers for capital	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of tangible capital assets	-	-	-	-	-	-	-	(6,446)	(6,446)
ANNUAL SURPLUS (DEFICIT)	\$ 868,429	\$ (155,665)	\$ (491,812)	\$ 622,852	\$ (62,891)	\$ (259,766)	\$ (171,717)	\$ 235,760	\$ 585,190

The accompanying notes are an integral part of these consolidated financial statements
JDP Wasserman LLP

TOWN OF SMOKY LAKE
Consolidated Schedule of Segmented Disclosure
For the Year Ended December 31, 2024

(Schedule 5)

	General government	Protective services	Transportation services	Environmental services	Community services	Planning and development	Recreation and culture	Other services	2024
REVENUES									
Net municipal taxes	\$ 1,122,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,122,682
User fees and sales of goods	58,318	60	715	1,220,632	-	195,186	-	717,991	2,192,902
Penalties and costs on taxes	47,391	-	-	-	-	-	-	-	47,391
Franchise and concession contracts	97,767	-	-	-	-	-	-	-	97,767
Licenses and permits	14,047	1,088	-	-	-	5,486	-	-	20,621
Other revenues	16,404	-	4,249	1,413	17,960	7,239	2,100	644	50,009
Investment income	87,889	-	-	-	-	-	-	-	87,889
Rentals	19,379	22,565	-	-	-	-	-	-	41,944
Government transfers for operating	100,848	-	-	184,111	131,090	5,500	34,921	200,000	656,470
	<u>1,564,725</u>	<u>23,713</u>	<u>4,964</u>	<u>1,406,156</u>	<u>149,050</u>	<u>213,411</u>	<u>37,021</u>	<u>918,635</u>	<u>4,317,675</u>
EXPENSES									
Contracted and general services	252,707	86,917	90,295	927,081	104,501	102,312	24,827	63,241	1,651,881
Materials, goods and utilities	67,344	47,811	183,708	23,831	14,494	-	39,710	305,324	682,222
Provisions for allowances	1,681	-	-	-	-	-	17,438	-	19,119
Salaries, wages and benefits	317,984	25,392	402,368	234,067	64,362	62,484	15,150	121,906	1,243,713
Transfers to local boards and agencies	-	-	-	-	-	-	92,004	200,000	292,004
Transfer to individuals and organizations	8,120	-	-	-	-	-	-	-	8,120
Interest on long-term debt	12,040	-	4,714	1,743	-	-	-	5,152	23,649
Amortization of tangible capital assets	27,673	11,867	189,682	131,884	-	668	21,390	46,601	429,765
	<u>687,549</u>	<u>171,987</u>	<u>870,767</u>	<u>1,318,606</u>	<u>183,357</u>	<u>165,464</u>	<u>210,519</u>	<u>742,224</u>	<u>4,350,473</u>
OTHER ITEMS									
Government transfers for capital	20,369	-	118,196	2,651,428	-	-	7,205	68,950	2,866,148
Other transfers for capital	15,000	-	-	-	-	62,910	-	-	77,910
Gain (loss) on disposal of tangible capital assets	-	-	-	-	-	-	-	18,096	18,096
ANNUAL SURPLUS (DEFICIT)	<u>\$ 912,545</u>	<u>\$ (148,274)</u>	<u>\$ (747,607)</u>	<u>\$ 2,738,978</u>	<u>\$ (34,307)</u>	<u>\$ 110,857</u>	<u>\$ (166,293)</u>	<u>\$ 263,457</u>	<u>\$ 2,929,356</u>

The accompanying notes are an integral part of these consolidated financial statements
JDP Wasserman LLP

TOWN OF SMOKY LAKE
Consolidated Schedule of Expenses by Object
For the Year Ended December 31, 2025

(Schedule 6)

	Budget 2025	(Actual) 2025	(Actual) 2024
Contracted and general services	\$ 1,638,411	\$ 1,714,342	\$ 1,651,881
Materials, goods and utilities	825,877	807,490	682,222
Provision for allowances	50	34,818	19,119
Salaries, wages and benefits	1,276,169	1,252,707	1,243,713
Transfers to local boards and agencies	93,773	178,773	292,004
Transfers to individuals and organizations	10,000	7,300	8,120
Interest on long-term debt	51,943	21,937	23,649
Amortization of tangible capital assets	-	465,790	429,765
	<u>\$ 3,896,223</u>	<u>\$ 4,483,157</u>	<u>\$ 4,350,473</u>

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Equity in Tangible Capital Assets

(Schedule 7)

For the Year Ended December 31, 2025

	2025	2024
BALANCE, BEGINNING OF YEAR	\$ 10,936,510	\$ 8,355,705
Purchase of tangible capital assets	2,401,127	3,009,458
Amortization of tangible capital assets	(465,790)	(429,765)
Repayment of long-term debt	51,435	50,102
Proceeds from long term financing	(1,224,205)	-
Local improvement tax recovered	(28,576)	(21,857)
Transfer tangible capital asset to inventory	(120,000)	(8,015)
Accretion of asset retirement obligation	(7,124)	(6,795)
Asset retirement obligation - change in estimate	-	(12,323)
Net disposal of tangible capital assets	(309,773)	-
Adjustment to tangible capital assets <i>(Note 15)</i>	135,948	-
BALANCE, END OF YEAR	\$ 11,369,552	\$ 10,936,510
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	\$ 12,945,285	\$ 11,303,775
Long-term debt	(1,575,073)	(402,303)
Local improvement tax recoverable	153,567	182,141
Asset retirement obligation	(154,227)	(147,103)
	\$ 11,369,552	\$ 10,936,510

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. ACCOUNTING POLICIES

The consolidated financial statements of the Town of Smoky Lake (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town of Smoky Lake are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, cash flows, changes in accumulated surplus and change in financial position of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the Town and are, therefore, accountable to Town Council for the administration of their financial affairs and resources. Included with the municipality is the following:

Smoky Lake Mineral Rights Development Company Ltd

The schedule of property taxes also includes requisitions that are not part of the reporting entity.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. User fee revenues are recognized as services are provided. Franchise, and concession revenues are recognized monthly based on the term of the agreement as earned. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or 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.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. ACCOUNTING POLICIES *(continued)*

(c) Use of Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Town has used estimates to determine accrued liabilities, tangible capital asset useful lives, asset retirement obligations, and provisions made for allowances for amounts receivable or any provision for impairment.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition, or are redeemable, and are held for the purpose of meeting short-term cash commitments rather than for investing.

(e) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized 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. Gains on principal protected notes are recognized as income when sold.

(f) Land Held for Resale

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

(g) 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 annual surplus (deficit), provides the Consolidated Statement of Changes in Net Financial Assets for the year (page 7).

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. ACCOUNTING POLICIES (continued)

(h) Inventories

Inventories of materials and supplies for consumption are recorded at the lower of cost or net realizable value with cost determined using the average cost method.

Inventories consisting of land and improvements not currently available for resale are recorded as non-financial assets.

(i) Government Transfers

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

Government transfers are recognized as receivable and deferred revenue when the transfer is authorized and any eligibility criteria are met. Revenue is recognized in the period in which the related expenditures are incurred or stipulations are satisfied.

(j) Tax Revenue

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town and are recognized as revenue in the year in which the local improvement project is completed.

(k) Other Revenue

Sales and user charges are recognized as revenue as goods are transferred or services are rendered.

Contributed assets are recognized as revenue at fair market value of the assets at the date of receipt.

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.

(l) Requisition Over-levies and Under-levies

Requisition 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. If 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.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. ACCOUNTING POLICIES (continued)

(m) Contaminated Sites

Contaminated sites are defined as a result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

(n) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Land improvements	10 - 25 years
Buildings	20 - 100 years
Engineered structures:	
Water system	20 - 75 years
Wastewater system	50 - 75 years
Roads	20 - 40 years
Electrical production	30 - 60 years
Gas distribution	36 years
Machinery and equipment	5 - 40 years
Vehicles	10 - 25 years

Tangible capital assets received or purchased as part of a restructuring transaction are recorded at carrying value at the date of receipt and also are recorded as revenue.

Tangible capital assets under construction are not amortized until the asset is substantially complete and available for productive use. Those tangible capital assets not meeting this criteria are categorized as work-in-progress as of year-end.

Works of art for display are not recorded as tangible capital assets but are disclosed.

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

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.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. ACCOUNTING POLICIES *(continued)*

(o) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the consolidated financial statement date when:

- a) there is a legal obligation for the Town to incur retirement costs,
- b) the past transaction or event giving rise to the liability has occurred,
- c) it is expected that future economic benefits will be given up, and
- d) a reasonable estimate of the amount can be made.

The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods. When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period. At each financial reporting date, the Town reviews the carrying amount of the liability.

The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. ACCOUNTING POLICIES (continued)

(p) Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations. Investments in interest bearing securities 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.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of twelve months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

Cash and cash equivalents consist of cash on hand and balances with financial institutions. The Town does not hold any short-term investments classified as cash equivalents.

	<u>2025</u>	<u>2024</u>
Cash and temporary investments	\$ 2,016,017	\$ 397,257
Externally restricted cash	<u>1,127,812</u>	<u>735,099</u>
	<u>\$ 3,143,829</u>	<u>\$ 1,132,356</u>

Included in cash are savings accounts which bear interest between 1.7% and 4.45%.

The Town has a line of credit for operation purposes with ATB with interest payable at 5.45%. As at December 31, 2025 the balance owing on this facility is \$NIL (2024 - \$NIL).

Included in cash is \$848,046 (2024 - \$449,724) externally restricted funds for operations and other capital projects as outlined in note 9.

Included in cash is \$279,766 (2024 - \$285,375) in deposits held in trust for external parties.

Included in cash is a commitment to fund \$2,393,794 (2024 - \$2,099,130) in internally restricted funds related to reserves. (Note 16) As of December 31, 2025, cash held by the Town of Smoky Lake is insufficient to support these internally restricted funds.

3. RECEIVABLES

	<u>2025</u>	<u>2024</u>
Current taxes and grants in place of taxes	\$ 136,414	\$ 105,073
Arrears taxes	49,219	32,612
Local improvement tax recoverable	<u>153,565</u>	<u>182,141</u>
	<u>339,198</u>	<u>319,826</u>
Utilities receivable	271,539	343,491
Trade and accrued receivables	<u>25,988</u>	<u>86,267</u>
	<u>297,527</u>	<u>429,758</u>

The Town follows the methods of recovering taxes in arrears as prescribed in section 411 of the Municipal Government Act, which includes the right of the Town to offer up for sale at a public auction those properties with taxes in arrears.

Local improvement tax recoverable is comprised of four local improvement bylaws as follows:

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

3. **RECEIVABLES** *(continued)*

	2025	2024
<ul style="list-style-type: none"> • Bylaw 005-16 - 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. • Bylaw 006-16 - 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. • Bylaw 014-13 - 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. • Bylaw 013-19 - Paving - 52 Ave loan receivable bearing interest at 2.464% per annum, repayable in annual blended payments of \$3,811. The loan matures on December 31, 2039 and is secured by the property of each resident. 		

4. **DUE FROM OTHER GOVERNMENTS**

Due from other governments consists of the following:

	2025	2024
Due from provincial government	\$ 848,277	\$ 2,943,495
Due from federal government	252,017	373,517
GST receivable	45,635	126,836
	\$ 1,145,929	\$ 3,443,848

These amounts are non-interest bearing and will be collected in accordance with the terms and conditions of the underlying funding agreements, including the submission and approval of eligible expenditures.

5. **NOTES RECEIVABLE**

The Town previously held a loan receivable from MCC for Smoky Lake Development Corp., an entity in which the Town holds a 50% ownership interest.

During 2025, the borrower repaid the full outstanding principal balance of \$590,000. As a result, no loan receivable remains outstanding as at December 31, 2025.

Interest receivable of \$49,185 recorded at December 31, 2024 was written off by the Town during the current year, reflecting management's assessment that these amounts were not recoverable. No interest income has been recognized in 2025 in respect of this loan.

The MCC for Smoky Lake Development Corp. continues operations, and the Town's 50% ownership interest in the corporation remains unchanged.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

6. INVESTMENT IN MCC FOR SMOKY LAKE DEVELOPMENT CORP.

The Town consolidates entities that are controlled by the Town. Control is defined as the power to govern the financial and operating policies of another organization.

Where the Town has an interest in organizations but does not control them, such interests are disclosed as related party transactions or investments, as appropriate.

The municipality has a \$10,000 investment in the MCC for Smoky Lake Development Corp. for a 50% investment in the corporation.

7. LAND HELD FOR RESALE

Land held for resale represents property acquired by the Municipality for the purpose of future development and sale. Land held for resale is recorded at cost, which includes acquisition costs and development costs directly attributable to preparing the land for sale. The carrying value of land held for resale is reviewed annually and written down to net realizable value when conditions indicate that the carrying amount exceeds the estimated selling price less costs to sell.

The continuity of land held for resale is as follows:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 371,477	\$ 245,531
Add: Acquisitions and development costs	9,048	208,638
Transfers from tangible capital assets	120,000	8,015
Less: Cost of land sold	(40,580)	(90,707)
Subtotal	<u>459,945</u>	371,477
Impairment on land held for resale	(114,457)	-
Balance, end of year	<u>\$ 345,488</u>	<u>\$ 371,477</u>

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are employee benefit obligations. Employees have either earned the benefits or are entitled to these within the next budgetary year.

	<u>2025</u>	<u>2024</u>
Employee earned vacation and overtime liability	\$ 34,954	\$ 31,523
Trade and other payables	359,687	1,040,971
	<u>\$ 394,641</u>	<u>\$ 1,072,494</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

9. DEPOSIT LIABILITIES

Deposit liabilities consist of the following:

	<u>2025</u>	<u>2024</u>
Deposits on land sales	\$ -	\$ 4,000
Tax recovery land sale proceeds to be distributed	103,332	111,207
Other deposits	1,050	50
	<u>\$ 104,382</u>	<u>\$ 115,257</u>

Deposit liabilities include amounts held by the Town on behalf of third parties, including utility deposits and proceeds from tax recovery property sales. These amounts are refundable upon the fulfillment of specified conditions or upon claim by the entitled party.

Proceeds from tax recovery sales are held on behalf of the former property owners in accordance with applicable legislation. These amounts are not available for general municipal use and accrue interest at rates consistent with the Town's bank deposits. Any interest earned is payable to the former property owners.

The timing of repayment varies depending on when the underlying conditions are satisfied or when claims are made.

10. DEFERRED REVENUE

Deferred revenue represents government transfers received or receivable for which the related eligibility criteria or stipulations have not yet been met.

	<u>2025</u>	<u>2024</u>
Municipal Sustainability Initiative - Capital	\$ 144,363	\$ 215,337
Local Government Fiscal Framework - Capital	310,476	317,267
Alberta Community Partnership	195,743	69,301
Canada Community Building Fund	415,491	326,673
Alberta Municipal Water & Wastewater Program	157,404	836,982
Housing Accelerator Fund	396,114	423,092
Alberta Settlement, Integration and Language Projects	151,754	-
Other	34,649	50,755
	<u>\$ 1,805,994</u>	<u>\$ 2,239,407</u>

Deferred revenue includes \$848,046 (2024 - \$449,724) in grant funds received and held for future projects, \$26,794 (2024 - \$42,902) in other prepaid revenues, and \$881,354 (2024 - \$1,746,781) in grant funding approved but not yet received by the Town.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

11. LONG-TERM DEBT

	<u>2025</u>	<u>2024</u>
Alberta Capital Finance Authority debenture repayable in semiannual installments of \$13,081 including interest at 2.85% maturing December 2031.	\$ 143,349	\$ 164,962
Alberta Capital Finance Authority debenture repayable in semiannual installments of \$1,940 including interest at 2.464% maturing September 2039.	45,722	48,427
Alberta Capital Finance Authority debenture repayable in semiannual installments of \$5,292 including interest at 2.498% maturing March 2031.	54,079	63,143
Alberta Capital Finance Authority debenture repayable in semiannual installments of \$10,542 including interest at 2.498% maturing March 2031.	107,718	125,771
Alberta Capital Finance Authority debenture repayable in semiannual installments of \$19,256 including interest at 4.470% maturing July 2045.	1,224,205	-
Alberta Capital Finance Authority debenture repayable in semiannual installments of \$9,666 including interest at 5.130% maturing June 2043.	221,528	229,198
	<u>\$ 1,796,601</u>	<u>\$ 631,501</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 99,815	\$ 74,461	\$ 174,276
2027	103,400	70,876	174,276
2028	107,124	67,152	174,276
2029	110,992	63,283	174,275
2030	115,011	59,264	174,275
Thereafter	1,260,259	456,834	1,717,093
	<u>\$ 1,796,601</u>	<u>\$ 791,870</u>	<u>\$ 2,588,471</u>

Long-term debt related to capital \$1,575,073 (2024 - \$402,303). Long term debt related to operational expenditures \$221,528 (2024 - \$229,199)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

12. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town of Smoky Lake be disclosed as follows:

	<u>2025</u>	<u>2024</u>
Total debt limit	\$ 5,927,984	\$ 6,476,513
Total debt	<u>(1,796,601)</u>	<u>(631,501)</u>
Total debt limit remaining	\$ 4,131,383	\$ 5,845,012
Service on debt limit	\$ 987,997	\$ 1,079,419
Service on debt	<u>(174,276)</u>	<u>(52,557)</u>
Total service on debt limit remaining	\$ 813,721	\$ 1,026,862

The debt limit is calculated at 1.5 times revenues of the Town (as defined by Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenues. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the Town. Rather, the financial statements must be interpreted as a whole.

13. CONTAMINATED SITES LIABILITY

Accrued liabilities have been recognized for the estimated costs of post-remediation for two former gas well sites and the Town's former landfill.

The liability reflects management's best estimate of the remaining costs required to meet applicable environmental standards, based on available information and prior site assessments. Costs incurred to date for reclamation activities have been applied to reduce the overall estimated obligation.

These estimates are subject to measurement uncertainty, and actual costs may differ as additional information becomes available.

	<u>2025</u>	<u>2024</u>
<u>Gas Well Sites</u>		
Post remediation costs liability	\$ 349,000	\$ 349,000
Less: reclamation work performed	<u>(337,086)</u>	<u>(334,096)</u>
	11,914	14,904
<u>Landfill Sites</u>		
Post remediation costs liability	<u>20,000</u>	20,000
	\$ 31,914	\$ 34,904

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

14. ASSET RETIREMENT OBLIGATION

The Town has recognized an asset retirement obligation associated with the future removal and remediation of certain tangible capital assets. The liability was estimated based on expected future cash flows discounted to present value using a discount rate of 4.87%. The obligation is accreted over time and recorded as an expense in the consolidated statement of operations.

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 147,103	\$ 124,076
Accretion expense	7,124	6,795
Changes in estimate	-	16,232
Closing balance	<u>\$ 154,227</u>	<u>\$ 147,103</u>

15. TANGIBLE CAPITAL ASSETS

Transfers and adjustments represent reclassifications between asset categories, transfers of assets to land held for resale, and adjustments to accumulated amortization related to prior period estimates. These amounts are non-cash in nature and reflect updates to asset records based on information available at year-end.

During the year, the Town identified certain tangible capital assets where accumulated amortization had been recorded in excess of historical cost, resulting in negative net book values. Management has adjusted accumulated amortization to align with the original cost of the related assets. This adjustment represents the correction of prior period over-amortization and has been recorded in the current year.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

16. ACCUMULATED SURPLUS

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

	<u>2025</u>	<u>2024</u>
Unrestricted surplus	\$ 399,817	\$ 542,333
Restricted operating surplus		
General Operating	1,510,827	998,663
Recreation	46,170	58,670
Family and Community Support Services	19,454	19,454
	<u>1,576,451</u>	<u>1,076,787</u>
Restricted capital surplus		
Local Improvement	31,851	31,851
General Capital	162,325	247,325
Natural Gas System	623,167	623,167
Land Development	-	120,000
	<u>817,343</u>	<u>1,022,343</u>
Equity in tangible capital assets (<i>Schedule 7</i>)	<u>11,369,552</u>	<u>10,936,510</u>
	<u>\$ 14,163,163</u>	<u>\$ 13,577,973</u>

Restricted surplus amounts are not supported by segregated cash and are funded from general financial resources.

17. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	<u>2025</u> (Budget)	<u>2025</u> (Actual)	<u>2024</u> (Actual)
ATCO ELECTRIC LTD.	\$ 100,067	\$ 97,463	\$ 97,767

Franchise fees are collected by utility providers on behalf of the Town and are remitted to the Town in accordance with the terms of the respective franchise agreements.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

18. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for Town officials, the Town Chief Administrative Officer and designated officers are required by Alberta Regulation 313/2000 is as follows:

	Salary (i)	Benefits (ii)	2025	2024
Cherniwchan, A (Mayor)	\$ 13,475	\$ 4,071	\$ 17,546	\$ 22,715
Prockiw-Zarusky, M (Mayor)	3,250	841	4,091	-
Councillors				
Morton, M (Deputy Mayor)	14,975	718	15,693	18,850
Kotylak, D (Deputy Mayor)	4,450	913	5,363	-
Prockiw-Zarusky, M	13,825	4,092	17,917	22,815
Kobes, E	15,550	752	16,302	22,050
Makowichuk, T	450	361	811	17,264
Chern, B	3,400	823	4,223	-
Rosichuk, N	3,975	193	4,168	-
Scharff, T	4,650	216	4,866	-
Chief Administrative Officer (2 positions)	101,560	21,836	123,396	165,682
Designated Officers (2 positions)	28,964	-	28,964	27,477
	\$ 208,524	\$ 34,816	\$ 243,340	\$ 296,853

- (i) Salary includes regular base pay, bonuses, overtime lump sum payments, gross honoraria and any other direct cash remuneration.
- (ii) 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.
- (iii) Benefits also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

19. BUDGET FIGURES

	2025 Budget	2025 Actual
Annual surplus (deficit)	\$ 820,111	\$ 585,190
Amortization of tangible capital assets	-	465,790
Asset retirement obligation - accretion	-	7,124
	<u>820,111</u>	<u>1,058,104</u>
Repayment of long-term debt	(74,611)	(59,105)
Proceeds on issuance of long-term debt	48,000	1,224,205
Acquisition of tangible capital assets	(845,500)	(3,009,458)
	<u>(52,000)</u>	<u>(786,254)</u>
Transfers to reserves	(20,000)	(591,463)
Transfers from reserves	72,000	251,839
	<u>52,000</u>	<u>(339,624)</u>
Results of operations	<u>\$ -</u>	<u>\$ (1,125,878)</u>

The budget data presented in these financial statements is based on the operating and capital budgets approved by Town Council on May 12, 2025. The note above reconciles the approved financial plan to the figures reported in these financial statements.

20. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Town is not exposed to significant market or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The Town is exposed to credit risk with respect to its accounts receivable. Credit risk arises from the possibility that customers, tax and rate-payers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers, tax and rate-payers minimizes the Town's credit risk.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

21. SEGMENTED INFORMATION

The Town provides a range of services to its citizens. Segmented information has been identified based upon lines of service provided by the Town. Services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segments information, along with the services they provide, are as follows:

- a) General government:
The mandate of general government includes all taxation, Council and administrative functional activities.
- b) Protective services:
The mandate of protective services is to provide for the rescue and protection of people and property within the Town through effective and efficient management and coordination of emergency service systems and resources.
- c) Transportation services:
Roads, streets, walks, and lighting services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, streets, walks, lighting and drainage.
- d) Environmental services:
Environmental services is responsible for water supply and distribution services within the Town, as well as wastewater treatment and disposal activities, and waste management and recycling functions.
- e) Planning and development:
Planning and development is responsible for the administration of residential, commercial, industrial and agricultural development services within the Town.
- f) Recreation and culture:
The parks and recreation department is responsible for operation and maintenance of parks, sports fields, recreation, community and cultural facilities within the Town.
- g) Community services:
Community services provides funding for programs that support individuals, families, and communities. Programs and services are delivered through Family and Community Support Services. Other public health services are also included in community services.
- h) Other services:
Other services include natural gas and solar generation activities. Smoky Lake County is a member of the Federation of Alberta Gas Co-ops. Natural gas is purchased through Gas Alberta Inc. to achieve favorable gas pricing for residents. The Town engages in solar micro-generation for the purpose of reducing Town infrastructure power costs.

For additional information see the Schedules of Segmented Disclosure (*Schedule 4 & Schedule 5*).

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

22. CONTINGENCIES AND COMMITMENTS

- i. 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 (2024 - \$119,258). Future annual debenture commitments including principal and interest are estimated as follows:

Contractual obligation repayment schedule:

2026	\$ 119,258
2027	119,258
2028	119,258
2029	119,258
2030	119,258
Thereafter	<u>877,483</u>
	<u>\$ 1,473,773</u>

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

23. 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.

Contributions for current and past service are recorded as expenses in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 8.45% (2024 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% (2024 - 11.65%) on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% (2024 - 7.45%) of pensionable salary up to the year's maximum pensionable salary and 10.65% (2024 - 10.65%) on pensionable salary above this amount.

Total current and past service contributions by the Town to the LAPP, in the current year, totalled \$64,121 (2024 - \$66,266). Total current and past service contributions by the employees of the Town to the LAPP, in the current year, totalled \$56,932 (2024 - \$58,942).

As at December 31, 2024, the LAPP disclosed an actuarial surplus of \$19.557 billion (2023 - \$15.057 billion). This amount was not specifically allocated to the participating government organizations. The actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

24. COMPARATIVE INFORMATION

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

25. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These financial statements were approved by Town Council and management on April 28, 2026.
