

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2023

TOWN OF SMOKY LAKE
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Year Ended December 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management, in accordance with Canadian Public Sector Accounting Standards. They necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the financial statements.

Management reports directly to Council on an ongoing basis, carrying out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

Prior to their submission to Council, the financial statements have been reviewed and recommended for approval by management. The financial statements have been audited by the independent firm of Seniuk and Company, Chartered Professional Accountants. Their report to the Council, stating their opinion, basis for opinion, other information, responsibilities of management and those charged with governance for the financial statements, and auditors' responsibilities for the audit of the financial statements, follows.

Dawn Phillips, CAO

Smoky Lake, Alberta
April 29, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of Town of Smoky Lake

Opinion

We have audited the consolidated financial statements of Town of Smoky Lake (the "Municipality"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2023, 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 Municipality 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

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

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

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Independent Auditor's Report to the Members of Council of Town of Smoky Lake (*continued*)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality'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 Municipality'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 Municipality 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.

Edmonton, Alberta
April 29, 2024

Seniuk & Company
Seniuk and Company,
Chartered Professional Accountants

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 908,616	\$ 818,759
Restricted cash (Note 2)	545,863	261,423
Property taxes and grants in place of taxes receivable (Note 5)	172,734	201,291
Grants and receivables from other governments (Note 6)	4,470,198	1,373,824
Trade and other receivables	351,844	452,949
Notes receivable (Note 7)	793,998	820,606
Investment in MCC for Smoky Lake Development Corp. (Note 3)	10,000	10,000
TOTAL FINANCIAL ASSETS	7,253,253	3,938,852
LIABILITIES		
Accounts payable	691,915	552,042
Deposits received	50	50
Deferred income (Note 9)	4,209,696	939,097
Long term debt (Note 11)	688,894	501,208
Contaminated site liability (Note 19)	34,904	39,950
Asset retirement obligations (Note 22)	85,026	-
TOTAL LIABILITIES	5,710,485	2,032,347
NET FINANCIAL ASSETS	1,542,768	1,906,505
NON-FINANCIAL ASSETS		
Inventory for consumption	121,725	102,923
Land held for resale	245,531	322,319
Prepaid expenses	49,455	21,189
Tangible capital assets (Note 8)	8,799,921	8,533,397
	9,216,632	8,979,828
ACCUMULATED SURPLUS	\$ 10,759,400	\$ 10,886,333

CONTRACTUAL RIGHT (Note 20)

CONTRACTUAL OBLIGATIONS (Note 24)

CONTINGENT LIABILITIES (Note 18)

APPROVED ON BEHALF OF COUNCIL

_____ Mayor

_____ Deputy Mayor

TOWN OF SMOKY LAKE**Consolidated Statement of Operations and Accumulated Surplus****Year Ended December 31, 2023**

	Budget (Unaudited) 2023	2023	2022
REVENUES			
Net municipal taxes (Schedule 1)	\$ 1,089,451	\$ 1,071,955	\$ 1,039,408
User fees	1,280,900	1,265,864	1,218,343
Gas	1,132,800	767,513	1,122,949
Solar	47,000	31,383	37,706
Government transfers for operating (Schedule 2)	243,902	619,770	3,790,548
Investment income	10,000	121,338	22,614
Penalties and costs of taxes	50,500	47,829	48,019
Licenses and permits	16,000	16,941	14,046
Rentals	30,160	41,289	10,800
Franchise fees & concession contracts	93,670	97,692	100,571
Other	108,416	31,057	12,777
	4,102,799	4,112,631	7,417,781
EXPENSES			
Administration and legislative	775,267	784,319	810,244
Protective services	158,114	156,583	151,260
Transportation services	831,479	881,220	879,918
Environmental services	1,227,225	1,215,583	1,165,620
Gas service	890,337	614,744	894,221
Solar	28,832	231,008	3,524,427
Land use planning, zoning and development	90,988	57,930	39,082
Family and community support	188,248	154,315	119,097
Recreation and culture	189,969	431,191	177,337
	4,380,459	4,526,893	7,761,206
DEFICIT FROM OPERATIONS	(277,660)	(414,262)	(343,425)
OTHER INCOME (EXPENSES)			
Government transfers for capital (Schedule 2)	365,052	287,329	471,972
Gain on disposal of tangible capital assets	-	-	7,252
	365,052	287,329	479,224
ANNUAL SURPLUS (DEFICIT)	87,392	(126,933)	135,799
ACCUMULATED SURPLUS - BEGINNING OF YEAR	10,886,333	10,886,333	10,750,534
ACCUMULATED SURPLUS - END OF YEAR	\$ 10,973,725	\$ 10,759,400	\$ 10,886,333

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, 2023

	Budget 2023	2023	2022
ANNUAL SURPLUS (DEFICIT)	\$ 87,392	\$ (126,933)	\$ 135,799
Amortization of tangible capital assets	-	460,200	452,381
Purchase of tangible capital assets	(800,000)	(726,726)	(570,878)
Proceeds on disposal of tangible capital assets	-	-	7,252
Loss (gain) on disposal of assets	-	-	(7,252)
Decrease (increase) in prepaid expenses	-	(28,267)	(431)
Decrease (increase) in inventory for consumption	-	(18,800)	3,288
Decrease in land held for resale	-	76,789	-
	(800,000)	(236,804)	(115,640)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(712,608)	(363,737)	20,159
NET FINANCIAL ASSETS - BEGINNING OF YEAR	1,906,505	1,906,505	1,886,346
NET FINANCIAL ASSETS - END OF YEAR	\$ 1,193,897	\$ 1,542,768	\$ 1,906,505

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Annual surplus (deficit) for the year	\$ (126,933)	\$ 135,799
Items not affecting cash:		
Amortization of tangible capital assets	460,200	452,381
Gain on disposal of tangible capital assets	-	(7,252)
	333,267	580,928
Changes in non-cash working capital:		
Trade and other receivables	101,105	(72,990)
Grants and receivables from other governments	(3,096,374)	(145,050)
Taxes and grants in place of taxes	28,557	16,697
Accounts payable	139,874	(29,786)
Deferred income	3,270,599	(90,913)
Prepaid expenses	(28,266)	(431)
Inventory for consumption	(18,802)	3,288
Land held for resale	76,788	-
Asset retirement obligations	85,026	-
	558,507	(319,185)
Cash flow from operating activities	891,774	261,743
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(726,726)	(570,878)
Proceeds on disposal of tangible capital assets	-	7,252
Repayment of loans and notes receivable	26,608	25,680
Addition to loans and notes receivable	-	(590,000)
Cash flow used by capital activities	(700,118)	(1,127,946)
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	(284,440)	162,771
Investment in MCC for Smoky Lake Development Corp.	-	(10,000)
Repayment of contaminated site liability	(5,046)	-
Proceeds from long term financing	240,000	-
Repayment of long term debt	(52,313)	(47,538)
Cash flow from (used by) investing activities	(101,799)	105,233
INCREASE (DECREASE) IN CASH FLOW	89,857	(760,970)
Cash - beginning of year	818,759	1,579,730
CASH - END OF YEAR (Note 2)	\$ 908,616	\$ 818,760

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Property and Other Taxes

(Schedule 1)

Year Ended December 31, 2023

	Budget (Unaudited) 2023	2023	2022
TAXATION			
Real property tax	\$ 1,351,384	\$ 1,344,379	\$ 1,291,441
Linear property taxes	52,739	52,739	49,524
Grants in lieu of property taxes	20,985	10,493	20,835
	1,425,108	1,407,611	1,361,800
REQUISITIONS			
Alberta school foundation	267,639	267,638	257,990
Seniors' housing requisition	68,018	68,018	64,402
	335,657	335,656	322,392
NET MUNICIPAL TAXES	\$ 1,089,451	\$ 1,071,955	\$ 1,039,408

Consolidated Schedule of Government Transfers

(Schedule 2)

	Budget (Unaudited) 2023	2023	2022
TRANSFERS FOR OPERATING			
Provincial Government - See note below	\$ 243,902	\$ 619,770	\$ 3,790,548
	243,902	619,770	3,790,548
TRANSFERS FOR CAPITAL			
Provincial Government	365,052	287,329	471,972
TOTAL GOVERNMENT TRANSFERS	\$ 608,954	\$ 907,099	\$ 4,262,520

Note, the Municipality received operating grants of \$200,000 (2022 - \$3,500,000) from the Provincial Government in regards to the Metis Crossing Solar Ltd. solar project. See Note 20. for additional information.

TOWN OF SMOKY LAKE**Consolidated Schedule of Expenditures by Object****(Schedule 3)****Year Ended December 31, 2023**

	Budget (Unaudited) 2023	2023	2022
EXPENSES			
Contracted and general services	\$ 1,687,183	\$ 1,570,087	\$ 1,468,599
Salaries, wages & benefits	1,210,539	1,118,145	1,133,102
Materials, goods and utilities	1,190,753	821,104	1,097,456
Transfer to local boards and agencies - see note below	109,927	538,293	3,595,495
Interest on long term Amortization	22,469 -	19,064 460,200	14,173 452,381
Total Expenditures by Object	\$ 4,220,871	\$ 4,526,893	\$ 7,761,206

Note, included in "Transfers to local boards and agencies" is \$200,000 (2022 - \$3,500,000) that the Municipality awarded to the Metis Crossing Solar Ltd. in accordance with the collaborative agreement related to a solar project. This transfer was fully funded by the Provincial Government with operating transfers. See Note 20. for additional information.

TOWN OF SMOKY LAKE

Consolidated Schedule of Changes in Accumulated Surplus

(Schedule 4)

Year Ended December 31, 2023

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2023	Total 2022
BALANCE, BEGINNING OF YEAR	\$ 613,006	\$ 2,010,533	\$ 8,262,794	\$ 10,886,333	\$ 10,750,534
Excess (deficiency) of revenues over expenses	(126,933)	-	-	(126,933)	130,442
Current year funds used to purchase of tangible capital assets	(726,726)	-	726,726	-	-
Annual amortization expense	460,200	-	(460,200)	-	-
Principle repayments on long term debt	(48,803)	-	48,803	-	-
Net reserve transfers	10,541	(10,541)	-	-	-
Debt charges recoverable	26,608	-	(26,608)	-	(77,040)
	(405,113)	(10,541)	288,721	(126,933)	53,402
BALANCE, END OF YEAR	\$ 207,893	\$ 1,999,992	\$ 8,551,515	\$ 10,759,400	\$ 10,803,936

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE

Consolidated Schedule of Segmented Disclosure

(Schedule 5)

Year Ended December 31, 2023

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Family & Community Support	Other	2023
REVENUE									
Net municipal taxes	\$ 1,071,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,071,955
Government transfers	120,471	-	7,208	5,500	64,868	86,676	135,047	200,000	619,770
User fees and sales of goods	56,089	-	1,050	-	-	1,208,725	-	798,896	2,064,760
Investment income	121,338	-	-	-	-	-	-	-	121,338
Other revenues	184,225	27,460	4,800	3,460	4,100	-	9,300	1,463	234,808
	1,554,078	27,460	13,058	8,960	68,968	1,295,401	144,347	1,000,359	4,112,631
EXPENSES									
Contract and general services	398,961	77,439	79,229	10,806	31,480	811,149	95,982	65,041	1,570,087
Salaries & wages	286,700	25,898	363,367	47,124	16,659	219,492	53,651	105,254	1,118,145
Materials, goods and utilities	56,182	40,377	221,013	-	32,285	41,477	4,682	425,088	821,104
Transfers to local boards	8,366	-	-	-	329,927	-	-	200,000	538,293
Amortization	27,953	12,869	212,401	-	20,840	141,505	-	44,632	460,200
Interest on long term debt	6,157	-	5,210	-	-	1,959	-	5,738	19,064
	784,319	156,583	881,220	57,930	431,191	1,215,582	154,315	845,753	4,526,893
(Deficit) from operations	769,759	(129,123)	(868,162)	(48,970)	(362,223)	79,819	(9,968)	154,606	(414,262)
OTHER									
Government transfers for capital	19,541	26,400	92,900	-	60,861	87,627	-	-	287,329
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES									
	\$ 789,300	\$ (102,723)	\$ (775,262)	\$ (48,970)	\$ (301,362)	\$ 167,446	\$ (9,968)	\$ 154,606	\$ (126,933)

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Tangible Capital Assets
(Schedule 6)
Year Ended December 31, 2023

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2023				
Cost				
Land	\$ 780,238	\$ 62,000	\$ -	\$ 842,238
Land improvements	558,813	-	-	558,813
Buildings	811,598	359,174	-	1,170,772
Machinery and equipment	2,264,092	126,465	-	2,390,557
Motor vehicles	499,746	-	-	499,746
Engineered structures - Sewer	3,004,656	60,861	108,082	3,173,599
Engineered structures - roadways	7,176,738	74,109	-	7,250,847
Assets under construction	277,025	-	(277,025)	-
Engineered structures - Gas	1,311,367	-	-	1,311,367
Engineered structures - Water	4,990,213	31,117	168,943	5,190,273
Engineered Structures - Solar	507,969	13,000	-	520,969
	22,182,455	726,726	-	22,909,181
Accumulated Amortization				
Land improvements	(289,272)	(19,404)	-	(308,676)
Buildings	(296,628)	(25,702)	-	(322,330)
Motor vehicles	(354,071)	(20,906)	-	(374,977)
Machinery and equipment	(1,652,686)	(93,895)	-	(1,746,581)
Engineered structures - roadways	(5,709,641)	(155,381)	-	(5,865,022)
Engineered structures - Sewer	(2,002,719)	(57,410)	-	(2,060,129)
Engineered structures - Water	(2,046,466)	(65,093)	-	(2,111,559)
Engineered structures - Gas	(1,276,889)	(5,262)	-	(1,282,151)
Engineered structures - Solar	(20,686)	(17,149)	-	(37,835)
	(13,649,058)	(460,202)	-	(14,109,260)
Net Book Value	\$ 8,533,397	\$ 266,524	\$ -	\$ 8,799,921

(continues)

TOWN OF SMOKY LAKE
Consolidated Schedule of Tangible Capital Assets (continued)
(Schedule 6)
Year Ended December 31, 2023

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2022				
Cost				
Land	\$ 880,744	\$ 140,000	\$ (240,506)	\$ 780,238
Land improvements	558,813	-	-	558,813
Buildings	811,598	-	-	811,598
Motor vehicles	499,746	-	-	499,746
Assets under construction	174,902	102,123	-	277,025
Machinery and equipment	2,181,992	122,330	(40,230)	2,264,092
Engineered structures - roadways	7,156,248	20,490	-	7,176,738
Engineered structures - Sewer	2,973,497	31,159	-	3,004,656
Engineered structures - Water	4,976,808	13,405	-	4,990,213
Engineered structures - Gas	1,311,367	-	-	1,311,367
Engineered Structures - Solar	366,599	141,370	-	507,969
	21,892,314	570,877	(280,736)	22,182,455
Accumulated Amortization				
Land improvements	(269,868)	(19,404)	-	(289,272)
Buildings	(276,672)	(19,956)	-	(296,628)
Motor vehicles	(330,189)	(23,882)	-	(354,071)
Machinery and equipment	(1,600,167)	(92,749)	40,230	(1,652,686)
Engineered structures - roadways	(5,552,081)	(157,560)	-	(5,709,641)
Engineered structures - Sewer	(1,946,747)	(55,972)	-	(2,002,719)
Engineered structures - Water	(1,983,447)	(63,019)	-	(2,046,466)
Engineered structures - Gas	(1,271,628)	(5,261)	-	(1,276,889)
Engineered structures - Solar	(6,110)	(14,576)	-	(20,686)
	(13,236,909)	(452,379)	40,230	(13,649,058)
Net Book Value	\$ 8,655,405	\$ 118,498	\$ (240,506)	\$ 8,533,397

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year which are shown in their respective asset classifications.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Smoky Lake (the Municipality) are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS). It is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA). Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the Town of Smoky Lake (the Town). The entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are; therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality is the following:

Smoky Lake Mineral Rights Development Company Ltd.

The statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

Tax Revenue

Annually, the Municipality bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the Municipal Government Act (MGA) and annually established tax rates. Municipal tax rates are set each year by the Municipality Council in accordance with legislation and the Municipality Council approved policies to raise the tax revenue required to meet the Municipality's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. Expenses related to tax appeals and allowances are separately disclosed in the Schedule of Property and Other Taxes.

The Municipality also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a province-wide basis. Education taxes collected are remitted to the Province and are excluded from revenues and expenses in the Schedule of Property and Other Taxes (Schedule 1).

Segment disclosures

The Schedule of Segment Disclosures – Schedule 5 has been prepared in accordance with PS2700 Segment Disclosures. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the Municipality. For each reported segment, revenues and expenses represent amounts directly or reasonably attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes.

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TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

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

Segments include:

- a) Transportation Services includes roadway and parking services.
- b) Protective Services is comprised of police, traffic safety, bylaw enforcement and fire rescue.
- c) Recreation and Culture includes parks and recreation, community and family services, planning and corporate properties and public housing.
- d) General Government includes municipal administration and council governance.
- e) Planning and Development includes related services for the betterment of the municipality.
- f) Environmental Services include water, sewage, and garbage services.
- g) Other includes gas and solar services.

Cash and Short Term Investments

Cash and cash equivalents consist of cash on deposit and short term investments mature within 90 days from the date of purchase, are capable of reasonably prompt liquidation and may be used to manage the Municipality's cash position throughout the year.

The financial statements exclude cash held trust that are administered for the benefit of external parties.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The Municipality receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the Municipality are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, has been met except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the Municipality to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the Municipality are in the form of tangible capital assets, grants and subsidies.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

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

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates include:

- Estimated accrued receivables.
- Collectibility of accounts receivables.
- Useful lives for tangible capital assets.
- Assessment of impairment of long term assets.
- Estimated accrued payables.
- Estimated contaminated site liability.
- Estimated asset retirement obligation.

Deferred Revenue

Deferred revenue comprises funds received in advance of services performed or where the use of funds is externally restricted. These amounts are recognized as revenue in the period the service is performed or when the funds are used for the purpose specified. When agreements stipulate that interest earned on contributions should be restricted for a specific purpose that interest is treated as a contribution received and recorded as an addition to deferred revenue.

Debt Charges Recoverable

Debt recoverable consists of long term debt amounts borrowed that are recoverable under loans or other financial arrangements made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long term debt balances as at December 31. Loans are recorded at the lower of cost and net recoverable value. A valuation allowance in the debt recoverable is recognized when there is no longer any reasonable assurance of collection.

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.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

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

Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

Local Improvements

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owners' share of the improvement is recognized as revenue and established as a receivable in the period that the project expenditures are completed.

Deposits

Deposits are held for the purposes of securing the compliance of a third party to contractual stipulations. Deposits are returned when compliance with contractual stipulations is determined. Deposits are recognized as revenue when a third party defaults on the contractual stipulations that the deposits were securing against.

Contaminated Sites Liability

Contaminated sites are the result of a chemical, organic or radioactive material or live organism in amounts that exceed an environmental standard being introduced into soil, water or sediment. The

Municipality recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists,
- there is evidence that contamination exceeds an environmental standard,
- the Municipality is directly responsible or accepts responsibility for the contamination,
- it is expected that future economic benefits will be given up, and
- a reasonable estimate of the amount can be made.

Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the Municipality's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the Municipality's best estimate, as of December 31, of the amount required to remediate non-productive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. The liability is recorded net of any estimated recoveries from third parties. When cash flows are expected to occur over extended future periods the Municipality will measure the liability using present value techniques. This liability is reported in in the Statement of Financial Position.

Asset Retirement Obligations

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

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

Asset retirement obligations are a result of obligations associated with the retirement of tangible capital assets controlled by the municipality. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

Non-Financial Assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets include tangible capital assets, inventory of materials and supplies, and other assets.

Tangible Capital Assets

Tangible capital assets are stated at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less accumulated amortization of the tangible capital assets, is amortized on a straight-line basis at the following rates:

Land improvements	15 - 25 years
Buildings	25 - 50 years
Machinery and equipment	5 - 40 years
Engineered structures	5 - 75 years

The Municipality regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Impairment of Long Lived Assets

The Municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Contributions of Tangible Capital Assets

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

Inventory for consumption

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

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.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

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

Reserves and Equity in Tangible Capital Assets

Certain amounts, as approved by Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets after deducting the portion financed by long term debt.

2. CASH, TEMPORARY INVESTMENTS, AND RESTRICTED CASH

	2023	2022
Cash and temporary investments	\$ 908,616	\$ 818,759
Restricted portion of cash	545,863	261,423
	\$ 1,454,479	\$ 1,080,182

Temporary investments are short term deposits with original maturities of one year or less.

Restricted amounts received from municipal grants and are held exclusively for future approved projects. (Note 9)

3. INVESTMENT IN MCC FOR SMOKY LAKE DEVELOPMENT CORP.

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

4. RELATED PARTY TRANSACTIONS

The Municipality has an outstanding loan receivable of \$590,000 with MCC for Smoky Lake Development Corp. related via a 50% ownership of the corporation. The Municipality recorded accrued interest receivable of \$40,149 (2022 - \$9,036). These transactions are subject to normal trade terms, and were measured at the exchange amount, being the amount of consideration established and agreed by the related parties.

5. PROPERTY TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

Taxes receivable are comprised of:

	2023	2022
Current property taxes and grants in place of taxes	\$ 104,050	\$ 109,597
Arrears property taxes and grants in place of taxes	68,684	91,694
	\$ 172,734	\$ 201,291

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

6. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2023	2022
Regional Water Facility & Reservoir Alberta Transportation grant	\$ 3,112,000	\$ -
Municipal Sustainability Initiative grant	594,864	461,665
Canada Community-Building Fund grant	286,133	334,718
Municipal Climate Change Action Centre Electric Vehicle Charging Program grant	-	130,000
Municipal Asset Management Program receivable	9,016	50,000
Aspen View School Alberta Infrastructure grant	352,328	325,275
Subtotal	4,354,341	1,301,658
Goods and services tax refundable	115,857	72,166
	\$ 4,470,198	\$ 1,373,824

7. NOTES RECEIVABLE

	2023	2022
Local improvement note receivable - Paving 51 & 52 St. loan receivable bearing interest at 2.48% per annum, repayable in annual blended total payment of \$9,066. The note matures on December 31, 2031 and is secured by the property of each resident	\$ 53,153	\$ 60,746
Local improvement note receivable - Paving 53A, 54 & 55 Ave. loan receivable bearing interest at 2.498% per annum, repayable in annual blended total payment of \$11,521. The note matures on December 31, 2031 and is secured by the property of each resident.	66,032	76,526
Local improvement note receivable - Southside Sewer loan receivable bearing interest at 2.498% per annum, repayable in annual blended total payment of \$6,392. The note matures on December 31, 2031 and is secured by the property of each resident.	40,077	45,802
Local improvement note receivable - 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.	44,736	47,532
Smoky Lake Development Corporation Investment loan receivable bearing interest at 6.5% per annum, repayable in annual blended payments of \$100,000 starting on December 31, 2024. The note is secured by the net assets of the company.	590,000	590,000
	\$ 793,998	\$ 820,606

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

7. NOTES RECEIVABLE *(continued)*

Principal repayment terms are approximately:

2024	\$	125,680
2025		125,680
2026		125,680
2027		125,680
2028		125,680
Thereafter		165,598
	\$	793,998

8. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	\$ 842,238	\$ -	\$ 842,238	\$ 780,238
Land improvements	558,813	308,675	250,138	269,541
Engineered structures - roadways	7,250,848	5,865,023	1,385,825	1,467,097
Buildings	1,170,772	322,330	848,442	514,970
Machinery and equipment	2,390,556	1,746,581	643,975	611,406
Assets under construction	-	-	-	277,025
Motor vehicles	499,746	374,977	124,769	145,675
Engineered structures - Sewer	3,173,599	2,060,129	1,113,470	1,001,937
Engineered structures - Water	5,190,273	2,111,559	3,078,714	2,943,747
Engineered structures - Gas	1,311,367	1,282,151	29,216	34,478
Engineered Structures - Solar	520,969	37,835	483,134	487,283
	\$ 22,909,181	\$ 14,109,260	\$ 8,799,921	\$ 8,533,397

9. DEFERRED REVENUE

Deferred revenue is comprised of:

	2023	2022
Canada Community-Building Fund	\$ 294,647	\$ 288,156
Municipal Sustainability Initiative - Capital	388,142	458,143
Municipal Asset Management Program Grant	7,854	-
Alberta Community Partnership Program	23,684	107,249
Aspen View School Alberta Infrastructure Funding	-	57,755
Regional Water Facility & Reservoir Alberta Transportation grant	3,448,735	-
Subtotal	4,163,062	911,303
Prepaid property taxes	16,264	22,234
Prepaid utilities	9,941	5,560
	\$ 4,189,267	\$ 939,097

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

9. DEFERRED REVENUE (continued)

2023 2022

Municipal Sustainability Initiative - Capital

Funding from the Provincial Government was allocated to the Municipality in the current year from the Municipal Sustainability Initiative - Capital Grant. The grant funding is restricted to eligible capital projects, as approved under the funding agreements, which are scheduled for completion in the next few years. Unexpended funds related to the advance less amounts receivable from the Provincial Government are supported by restricted cash held exclusively for these projects (refer to Note 2.).

Canada Community-Building Fund

Funding from the Provincial Government was allocated to the Municipality in the current year from the Canada Community-Building Fund and is restricted to eligible capital projects as approved under the funding agreement. Funds from this grant are being deferred for a future project. Unexpended funds related to the advance are supported by restricted cash held exclusively for this project (refer to Note 2.).

Municipal Asset Management Program

Funding from the Federation of Canadian Municipalities was allocated to the Town from the Municipal Asset Management Program to aid in strengthening its asset management practice. The program funding is restricted to funding the development and implementation of new asset management programs. Unexpended funds related to the advance, less amounts receivable from the Provincial Government, are supported by restricted cash held exclusively for these projects (refer to Note 2.).

Aspen View School Alberta Infrastructure Funding

Funding from the Provincial Government was allocated to the Town to aid in the construction of the utility infrastructure for the Aspen View School that that is being constructed in the Town. Unexpended funds related to the advance, less amounts receivable from the Provincial Government, are supported by restricted cash held exclusively for this project (refer to Note 2.).

Alberta Community Partnership (ACP) Program

Funding from the Provincial Government was allocated to the Town from the Alberta Community Partnership (ACP) Program. The program funding is restricted to planning objectives. Unexpended funds, related to the advance from the Provincial Government, are supported by restricted cash and held exclusively for these projects (refer to Note 2.).

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

10. TRUST FUNDS

Trust funds are not owned by the Municipality and have been excluded from the reporting entity. The Municipality has the following funds held in trust:

a) In conjunction with the County of Smoky Lake, Village of Waskatenau and the Village of Vilna the Town administers the Physician Recruitment Program on behalf of contributing partners. The funds are in two separate bank accounts and are reconciled as follows:

	Percentage Contribution	Contributed Amount	Total
Opening balance 2023			\$ 126,566
Smoky Lake County	61 %	14,640	14,640
Town of Smoky Lake	26 %	6,240	6,240
Village of Vilna	7 %	1,680	1,680
Village of Waskatenau	6 %	1,440	1,440
	100 %	24,000	150,566
Less annual program disbursements	-	-	(84,999)
Plus grant received	-	-	1,000
Plus interest earned	-	-	4,774
Ending balance 2023			\$ 71,341

b) In conjunction with the County of Smoky Lake, Village of Waskatenau and the Village of Vilna the Town administers the Ukrainian Twinning Committee on behalf of contributing partners. The funds are in a separate bank account with an ending balance of \$3,210 (NIL - 2022).

11. LONG TERM DEBT

	2023	2022
Alberta Capital Finance Authority loan bearing interest at 2.85% per annum, repayable in semi-annual blended payments of \$13,081. The loan matures on December 15, 2031 and is secured by the credit and security of the Town at large.	\$ 185,972	\$ 206,396
Alberta Capital Finance Authority loan bearing interest at 2.464% per annum, repayable in semi-annual blended payments of \$1,940. The loan matures on September 16, 2039 and is secured by the credit and security of the Town at large.	51,066	53,642
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-annual blended payments of \$10,585. The loan matures on March 31, 2031 and is secured by the credit and security of the Town at large.	71,984	80,609
Alberta Capital Finance Authority loan bearing interest at 2.498% per annum, repayable in semi-annual blended payments of \$21,083. The loan matures on March 31, 2031 and is secured by the credit and security of the Town at large.	143,382	160,561
Alberta Capital Finance Authority loan bearing interest at 5.13% per annum, repayable in semi-annual blended payments of \$9,666. The loan matures on June 15, 2043 and is secured by the credit and security of the Town at large.	236,490	-
	\$ 688,894	\$ 501,208

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

11. LONG TERM DEBT *(continued)*

	2023	2022
Principal repayment terms are approximately:		
2024	\$ 57,393	
2025	59,105	
2026	60,973	
2027	62,698	
2028	64,582	
Thereafter	384,143	
	<u>\$ 688,894</u>	

12. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits, as defined by Alberta Regulation 255/00 for the Town of Smoky Lake, be disclosed as follows:

	2023	2022
Total debt limit	\$ 6,168,947	\$ 11,126,672
Total debt	(688,895)	(501,207)
Amount of debt limit unused	5,480,052	10,625,465
Debt servicing limit	1,028,158	1,854,445
Debt servicing	(71,377)	(61,711)
Amount of debt servicing limit unused	\$ 956,781	\$ 1,792,734

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.

13. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2023	2022
Tangible capital assets	\$ 22,909,181	\$ 22,182,455
Accumulated amortization	(14,109,260)	(13,649,060)
Debt charges recoverable	203,998	230,606
Long term debt (Note 11.)	(452,404)	(501,207)
	<u>\$ 8,551,515</u>	<u>\$ 8,262,794</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

14. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP) which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Town is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 11.23% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2023 were \$53,711 (2022 - \$45,175). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2023 were \$47,888 (2022 - \$40,266).

The LAPP reported a surplus for the overall plan as at December 31, 2022, of \$12,671,000. Information as at December 31, 2023, was not available at the time of preparing these financial statements.

15. SEGMENTED DISCLOSURE

The Town of Smoky Lake provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 4).

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

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:

			2023	2022
	Salary (1)	Benefits & allowances (2)	Total	Total
A. Cherniwchan - Mayor	\$ 19,525	\$ 3,852	\$ 23,377	\$ 23,661
M. Morton - Deputy Mayor	18,550	-	18,550	18,135
T. Makowichuk - Councilor	13,900	3,852	17,752	18,217
E. Kobes - Councilor	21,675	-	21,675	23,575
M. Prockiw-Zarusky - Councilor	17,450	3,852	21,302	26,836
Former Chief Administrative Officer	-	-	-	233,813
Interim Chief Administrative Officer	-	-	-	9,000
Chief Administrative Officer	135,000	23,120	158,120	25,982
Designated Officer (3)	26,607	-	26,607	26,585
	\$ 252,707	\$ 34,676	\$ 287,383	\$ 405,804

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

17. FINANCIAL INSTRUMENTS

The Municipality is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Municipality's risk exposure and concentration as of December 31, 2023.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Municipality is exposed to credit risk from customers. In order to reduce its credit risk, the Municipality reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Municipality has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Municipality is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Interest rate risk

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

17. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Municipality manages exposure through its normal operating and financing activities. The Municipality is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

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

18. CONTINGENT LIABILITIES

In the current year a claim was filed against the Municipality for overturning certain Town resolutions and seeking costs from the Town. No liabilities have been recorded as Legal Counsel is of the opinion that the Municipality will likely succeed in defending the application.

19. CONTAMINATED SITES LIABILITY

Accrued liabilities have been estimated for the cost of post-remediation for two old gas well sites and the former landfill site within the Town. The initial costs have been reduced by the reclamation work performed as follows:

	2023	2022
Post-Remediation Costs Liability for the two gas well sites	\$ 349,000	\$ 349,000
Less: Reclamation work performed	(334,096)	(329,050)
Subtotal	14,904	19,950
Post-Remediation Costs Liability for the former landfill site	20,000	20,000
	\$ 34,904	\$ 39,950

20. CONTRACTUAL RIGHT

In 2022 the Municipality entered into a cooperation agreement with Metis Crossing Solar Ltd. to collaborate on a solar project. In relation to this project the Municipality received and then awarded a a \$200,000 (2022 - \$3,500,000) grant from the Provincial Government to Metis Crossing Solar Ltd. The Municipality will be entitled to 15% of the future net incomes annually from the project for the next 30 years.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

21. CONTRACTUAL OBLIGATIONS

Highway 28/63 Regional Water Commission

The Town has entered into an agreement with the Highway 28/63 Regional Water Services Commission (the Commission) to provide water services and build infrastructure. The members of the Commission are the County of Thorhild No. 7, Smoky Lake County, the Town of Smoky Lake and the Villages of Vilna and Waskatenau.

To fund building infrastructure beyond grant funding received, the Commission financed \$3.062 million. For the current year, the Town has repaid debenture costs including principal and interest totaling \$119,258 (2022 - \$119,258). Future annual debenture commitments including principal and interest are estimated as follows:

Contractual obligation repayment schedule:

2024	\$	119,258
2025		119,258
2026		119,258
2027		119,258
2028		119,258
Thereafter		1,115,999
	\$	<u>1,712,289</u>

22. ASSET RETIREMENT OBLIGATIONS

The Municipality has adopted PS3280 Asset Retirement Obligations (ARO). The Municipality has identified asbestos in 7 buildings in 2023 and estimated the asset retirement obligation related to the assets using the undiscounted future expenditures expected to be incurred within an 15 - 30 year period. The Municipality applied the discount rates of 5.5% to estimate the present value of the associated AROs. The original liability calculated in the year of implementation is added to the cost of the associated asset and amortized on a straight-line basis over the remaining useful life of the asset.

The expected costs are as follows:

- The CN Station is expected in 2038.
- The Curling Rink is expected in 2038.
- The Lions Club is expected in 2053.
- The Public Works Shop / Fire Hall is expected in 2053.
- The Town Office is expected in 2053.
- The Museum is expected in 2043.
- The Smoky Lake Drop-in Centre is expected in 2043.

	2023	2022
<u>Asset retirement obligations are as follows:</u>		
CN Station	\$ 5,344	\$ -
Curling Rink	41,920	-
Lions Club	3,897	-
Public Works Shop/Fire Hall	11,098	-
Town Office	4,647	-

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TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

22. ASSET RETIREMENT OBLIGATIONS *(continued)*

	2023	2022
Museum	5,129	-
Smoky Lake Drop-in Centre	12,991	-
	\$ 85,026	\$ -

23. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

24. COMPARATIVE FIGURES

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

25. BUDGET AMOUNTS

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