

TOWN OF SMOKY LAKE
Consolidated Financial Statements
Year Ended December 31, 2022

TOWN OF SMOKY LAKE
Index to Consolidated Financial Statements
Year Ended December 31, 2022

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations and Accumulated Surplus	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Consolidated Schedule of Property and Other Taxes (<i>Schedule 1</i>)	8
Consolidated Schedule of Government Transfers (<i>Schedule 2</i>)	8
Consolidated Schedule of Expenditures by Object (<i>Schedule 3</i>)	9
Consolidated Schedule of Changes in Accumulated Surplus (<i>Schedule 4</i>)	10
Consolidated Schedule of Segmented Disclosure (<i>Schedule 5</i>)	11
Consolidated Schedule of Tangible Capital Assets (<i>Schedule 6</i>)	12 - 13
Notes to Consolidated Financial Statements	14 - 29

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.

Mrs. Dawn Phillips, CAO

Smoky Lake, Alberta
April 27, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Councils 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, 2022, 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, 2022, 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.

(continues)

Independent Auditor's Report to the Members of Councils 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 27, 2023

Seniuk & Company
Seniuk and Company,
Chartered Professional Accountants

TOWN OF SMOKY LAKE
Consolidated Statement of Financial Position
December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	\$ 818,759	\$ 1,579,730
Restricted cash (Note 2)	261,423	424,194
Property taxes and grants in place of taxes receivable (Note 3)	201,291	217,988
Grants and receivables from other governments (Note 4)	1,373,824	1,228,774
Trade and other receivables	452,949	379,959
Notes receivable (Note 5)	820,606	256,286
Investment in joint venture (Note 6)	4,644	-
TOTAL FINANCIAL ASSETS	3,933,496	4,086,931
LIABILITIES		
Accounts payable	552,044	581,830
Deposits received	50	50
Deferred income (Note 8)	939,097	1,030,010
Long term debt (Note 10)	501,208	548,745
Contaminated site liability (Note 17)	39,950	39,950
TOTAL LIABILITIES	2,032,349	2,200,585
NET FINANCIAL ASSETS	1,901,147	1,886,346
NON-FINANCIAL ASSETS		
Inventory for consumption	102,923	106,211
Prepaid expenses	21,189	20,758
Tangible capital assets (Note 7)	8,855,717	8,737,219
	8,979,829	8,864,188
ACCUMULATED SURPLUS	\$ 10,880,976	\$ 10,750,534

CONTRACTUAL RIGHT (Note 18)

CONTRACTUAL OBLIGATIONS (Note 22)

APPROVED ON BEHALF OF COUNCIL

_____ Mayor

_____ Councilor

TOWN OF SMOKY LAKE

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2022

	Budget (Unaudited) 2022	2022	2021
REVENUES			
Net municipal taxes (Schedule 1)	\$ 1,044,352	\$ 1,039,408	\$ 1,003,019
User fees	1,438,055	1,218,343	1,172,578
Gas	902,601	1,122,949	941,240
Solar	26,253	37,706	-
Government transfers for operating (Schedule 2)	271,549	3,790,548	495,192
Investment income	37,414	22,614	9,160
Penalties and costs of taxes	47,569	48,019	48,330
Licenses and permits	8,284	14,046	96,925
Rentals	10,800	10,800	12,140
Franchise fees & concession contracts	97,025	100,571	84,100
Other	52,104	12,777	12,560
	3,936,006	7,417,781	3,875,244
EXPENSES			
Administration and legislative	639,481	811,244	564,812
Protective services	131,126	151,260	118,484
Transportation services	824,282	879,918	883,878
Environmental services	1,186,714	1,165,620	1,112,676
Gas service	612,796	894,221	723,384
Solar	164,752	3,524,427	6,436
Land use planning, zoning and development	77,812	38,082	217,438
Family and community support	153,856	119,097	116,756
Recreation and culture	149,221	177,337	145,868
	3,940,040	7,761,206	3,889,732
DEFICIT FROM OPERATIONS	(4,034)	(343,425)	(14,488)
OTHER INCOME (EXPENSES)			
Government transfers for capital (Schedule 2)	214,433	471,972	722,888
Gain on disposal of tangible capital assets	-	7,252	117,309
Income (loss) from joint venture (Note 6)	-	(5,357)	-
	214,433	473,867	840,197
ANNUAL SURPLUS	210,399	130,442	825,709
ACCUMULATED SURPLUS - BEGINNING OF YEAR	10,750,534	10,750,534	9,924,825
ACCUMULATED SURPLUS - END OF YEAR	\$ 10,960,933	\$ 10,880,976	\$ 10,750,534

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, 2022

	Budget 2022	2022	2021
ANNUAL SURPLUS	\$ 210,399	\$ 130,442	\$ 825,709
Amortization of tangible capital assets	-	452,381	484,172
Purchase of tangible capital assets	(214,433)	(570,878)	(907,701)
Proceeds on disposal of tangible capital assets	27,251	7,252	120,000
Loss (gain) on disposal of assets	-	(7,252)	(117,309)
Decrease (increase) in prepaid expenses	-	(431)	8,262
Decrease (increase) in inventory for consumption	-	3,287	(40,065)
	(187,182)	(115,641)	(452,641)
INCREASE IN NET FINANCIAL ASSETS	23,217	14,801	373,068
NET FINANCIAL ASSETS - BEGINNING OF YEAR	1,866,531	1,886,346	1,513,278
NET FINANCIAL ASSETS - END OF YEAR	\$ 1,889,748	\$ 1,901,147	\$ 1,886,346

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus for the year	\$ 130,442	\$ 825,709
Items not affecting cash:		
Amortization of tangible capital assets	452,381	484,172
Gain on disposal of tangible capital assets	(7,252)	(117,309)
	575,571	1,192,572
Changes in non-cash working capital:		
Trade and other receivables	(72,990)	(107,696)
Grants and receivables from other governments	(145,050)	(719,972)
Taxes and grants in place of taxes	16,697	(12,342)
Accounts payable	(29,786)	131,968
Deferred income	(90,913)	116,865
Prepaid expenses	(431)	8,261
Inventory for consumption	3,288	(40,064)
Deposits received	-	(10,010)
	(319,185)	(632,990)
Cash flow from operating activities	256,386	559,582
CAPITAL ACTIVITIES		
Cash used to acquire tangible capital assets	(570,878)	(907,701)
Proceeds on disposal of tangible capital assets	7,252	120,000
Repayment of loans and notes receivable	25,680	25,680
Addition to loans and notes receivable	(590,000)	-
Cash flow used by capital activities	(1,127,946)	(762,021)
INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	162,771	214,811
Investment in joint venture	(4,644)	-
Proceeds from long term financing	-	226,250
Repayment of long term debt	(47,538)	(65,829)
Cash flow from investing activities	110,589	375,232
INCREASE (DECREASE) IN CASH FLOW	(760,971)	172,793
Cash - beginning of year	1,579,730	1,406,937
CASH - END OF YEAR (Note 2)	\$ 818,759	\$ 1,579,730

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, 2022**

	Budget (Unaudited) 2022	2022	2021
TAXATION			
Real property tax	\$ 1,306,812	\$ 1,291,441	\$ 1,261,927
Linear property taxes	49,524	49,524	40,609
Grants in lieu of property taxes	10,417	20,835	11,107
	1,366,753	1,361,800	1,313,643
REQUISITIONS			
Alberta school foundation	258,000	257,990	250,956
Seniors' housing requisition	64,402	64,402	59,668
	322,402	322,392	310,624
NET MUNICIPAL TAXES	\$ 1,044,351	\$ 1,039,408	\$ 1,003,019

Consolidated Schedule of Government Transfers**(Schedule 2)**

	Budget (Unaudited) 2022	2022	2021
TRANSFERS FOR OPERATING			
Provincial Government - See note below	\$ 271,549	\$ 3,790,548	\$ 495,192
	271,549	3,790,548	495,192
TRANSFERS FOR CAPITAL			
Provincial Government	214,433	471,972	722,888
TOTAL GOVERNMENT TRANSFERS	\$ 485,982	\$ 4,262,520	\$ 1,218,080

Note, in 2022 the Municipality received a \$3,500,000 grant from the Provincial Government in regards to the Metis Crossing Solar Ltd. solar project. See Note 18. for additional information.

TOWN OF SMOKY LAKE**Consolidated Schedule of Expenditures by Object****(Schedule 3)****Year Ended December 31, 2022**

	Budget (Unaudited) 2022	2022	2021
EXPENSES			
Contracted and general services	\$ 1,536,277	\$ 1,447,143	\$ 1,424,169
Salaries, wages & benefits	1,109,375	1,168,598	993,262
Materials, goods and utilities	808,144	1,083,417	878,160
Transfer to local boards and agencies - see note below	113,408	3,595,496	100,387
Interest on long term Amortization	14,328 -	14,171 452,381	9,582 484,172
Total Expenditures by Object	\$ 3,581,532	\$ 7,761,206	\$ 3,889,732

Note, in 2022 included in "Transfers to local boards and agencies" is \$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 18. for additional information.

TOWN OF SMOKY LAKE

Consolidated Schedule of Changes in Accumulated Surplus

(Schedule 4)

Year Ended December 31, 2022

	Unrestricted Surplus	Restricted Reserves	Equity in Tangible Capital Assets	Total 2022	Total 2021
BALANCE, BEGINNING OF YEAR	\$ 551,526	\$ 2,010,533	\$ 8,188,475	\$ 10,750,534	\$ 9,924,825
Excess (deficiency) of revenues over expenses	130,442	-	-	130,442	825,709
Current year funds used to purchase of tangible capital assets	(570,878)	-	570,878	-	-
Annual amortization expense	452,381	-	(452,381)	-	-
Principle repayments on long term debt	(47,538)	-	47,538	-	-
	(35,593)	-	166,035	130,442	825,709
BALANCE, END OF YEAR	\$ 515,933	\$ 2,010,533	\$ 8,354,510	\$ 10,880,976	\$ 10,750,534

The accompanying notes form an integral part of these financial statements

TOWN OF SMOKY LAKE
Consolidated Schedule of Segmented Disclosure
Year Ended December 31, 2022

(Schedule 5)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Other	2022
REVENUE								
Net municipal taxes	\$ 1,039,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,039,408
Government transfers	87,863	-	-	5,455	149,478	47,753	3,500,000	3,790,549
User fees and sales of goods	51,101	-	950	-	-	1,166,293	1,160,653	2,378,997
Investment income	22,614	-	-	-	-	-	-	22,614
Other revenues	161,828	11,760	6,906	2,220	185	-	3,314	186,213
	1,362,814	11,760	7,856	7,675	149,663	1,214,046	4,663,967	7,417,781
EXPENSES								
Contract and general services	283,035	69,412	88,168	101,378	25,476	823,967	55,707	1,447,143
Salaries and wages	444,426	22,705	343,358	44,824	29,650	194,920	88,715	1,168,598
Materials, goods and utilities	39,740	42,161	236,286	10,977	18,529	6,943	728,781	1,083,417
Transfers to local boards	12,650	-	-	-	82,846	-	3,500,000	3,595,496
Amortization	31,395	16,982	206,413	-	20,840	137,614	39,137	452,381
Interest on long term	-	-	5,693	-	(1)	2,171	6,308	14,171
	811,246	151,260	879,918	157,179	177,340	1,165,615	4,418,648	7,761,206
Excess (deficiency) of revenue over expenses before other	551,568	(139,500)	(872,062)	(149,504)	(27,677)	48,431	245,319	(343,425)
OTHER								
Government transfers for capital	-	113,808	122,042	-	92,619	-	143,503	471,972
Gain (loss) on disposal of capital assets	7,252	-	-	-	-	-	-	7,252
Income (loss) from joint venture	(5,357)	-	-	-	-	-	-	(5,357)
	1,895	113,808	122,042	-	92,619	-	143,503	473,867
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 553,463	\$ (25,692)	\$ (750,020)	\$ (149,504)	\$ 64,942	\$ 48,431	\$ 388,822	\$ 130,442

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, 2022

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2022				
Cost				
Land	\$ 962,558	\$ 140,000	\$ -	\$ 1,102,558
Land improvements	558,813	-	-	558,813
Buildings	811,598	-	-	811,598
Machinery and equipment	2,181,992	122,330	(40,230)	2,264,092
Motor vehicles	499,746	-	-	499,746
Engineered structures - Sewer	2,973,497	31,159	-	3,004,656
Engineered structures - roadways	7,156,248	20,490	-	7,176,738
Assets under construction	174,902	102,123	-	277,025
Engineered structures - Gas	1,311,367	-	-	1,311,367
Engineered structures - Water	4,976,808	13,405	-	4,990,213
Engineered Structures - Solar	366,599	141,370	-	507,969
	21,974,128	570,877	(40,230)	22,504,775
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	\$ 8,737,219	\$ 118,498	\$ -	\$ 8,855,717

(continues)

TOWN OF SMOKY LAKE
Consolidated Schedule of Tangible Capital Assets (continued)
(Schedule 6)
Year Ended December 31, 2022

	Opening Balance	Additions and Transfers	Disposals, Impairments and Transfers	Closing Balance
For the year ended December 31, 2021				
Cost				
Land	\$ 953,699	\$ 11,550	\$ (2,691)	\$ 962,558
Land improvements	558,813	-	-	558,813
Buildings	603,691	207,907	-	811,598
Motor vehicles	449,746	50,000	-	499,746
Assets under construction	59,382	174,902	(59,382)	174,902
Machinery and equipment	2,162,530	19,462	-	2,181,992
Engineered structures - roadways	7,135,085	21,163	-	7,156,248
Engineered structures - Sewer	2,973,497	-	-	2,973,497
Engineered structures - Water	4,861,308	115,500	-	4,976,808
Engineered structures - Gas	1,311,367	-	-	1,311,367
Engineered Structures - Solar	-	366,599	-	366,599
	21,069,118	967,083	(62,073)	21,974,128
Accumulated Amortization				
Land improvements	(250,465)	(19,403)	-	(269,868)
Buildings	(258,794)	(17,878)	-	(276,672)
Motor vehicles	(305,821)	(24,368)	-	(330,189)
Machinery and equipment	(1,487,046)	(113,121)	-	(1,600,167)
Engineered structures - roadways	(5,371,624)	(180,457)	-	(5,552,081)
Engineered structures - Sewer	(1,891,087)	(55,660)	-	(1,946,747)
Engineered structures - Water	(1,921,534)	(61,913)	-	(1,983,447)
Engineered structures - Gas	(1,266,366)	(5,262)	-	(1,271,628)
Engineered structures - Solar	-	(6,110)	-	(6,110)
	(12,752,737)	(484,172)	-	(13,236,909)
Net Book Value	\$ 8,316,381	\$ 482,911	\$ (62,073)	\$ 8,737,219

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, 2022

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:

Town of Smoky Lake Mineral Rights Development Company Ltd.

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

Basis of Accounting

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

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

Tax Revenue

Annually, the 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.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When a Municipality undertakes its activities under joint operations, the Municipality as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly;

The Municipality accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with PSAS 4250 using the modified equity method. Gains and losses resulting from the transactions are recognised in the Municipality's financial statements only to the extent of other parties' interests in the joint operation.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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

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.

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.

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.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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

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.

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.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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

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

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.

(*continues*)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

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

Tangible Capital Assets

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

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

The 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.

Reserves and Equity in Tangible Capital Assets

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

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

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

2. CASH, TEMPORARY INVESTMENTS, AND RESTRICTED CASH

	2022	2021
Cash and temporary investments	\$ 818,759	\$ 1,579,730
Restricted portion of cash	261,423	424,194
	\$ 1,080,182	\$ 2,003,924

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 8)

3. PROPERTY TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

Taxes receivable are comprised of:

	2022	2021
Current property taxes and grants in place of taxes	\$ 109,597	\$ 124,117
Arrears property taxes and grants in place of taxes	91,694	93,871
	\$ 201,291	\$ 217,988

4. GRANTS AND RECEIVABLES FROM OTHER GOVERNMENTS

Grants and receivables from other governments are comprised of:

	2022	2021
Municipal Sustainability Initiative - Capital grant receivable	\$ 461,665	\$ 328,466
Canada Community-Building Fund - grant receivable	334,718	276,949
Municipal Climate Change Action Centre Electric Vehicle Charging Program - grant receivable	130,000	-
Municipal Asset Management Program - grant receivable	50,000	50,000
Small Community Fund - grant receivable	-	77,000
Alberta Municipal Solar funding Program - grant receivable	-	143,616
Aspen View School Alberta Infrastructure - grant receivable	325,275	325,275
Subtotal	1,301,658	1,201,306
Goods and services tax refundable	72,166	27,468
	\$ 1,373,824	\$ 1,228,774

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

5. NOTES RECEIVABLE

	2022	2021
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	\$ 60,746	\$ 68,340
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.	76,526	86,092
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.	45,802	51,527
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.	47,532	50,327
Smoky Lake Development Corporation Investment loan receivable bearing interest at 6.5% per annum, repayable in annual blended payment starting on December 31, 2024. The note is secured by the net assets of the company.	590,000	-
	\$ 820,606	\$ 256,286

Principal repayment terms are approximately:

2023	\$ 25,680
2024	25,680
2025	25,680
2026	25,680
2027	25,680
Thereafter	692,206
	<u>\$ 820,606</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

6. INVESTMENTS IN JOINT VENTURES

Details of the Municipality's joint venture at the end of the reporting period is as follows:

	Ownership %	2022	2021
Smoky Lake Development Corporation	50.00	\$ 4,644	\$ -

The joint venture is accounted for using the equity method. The joint venture's financial information is summarized below:

	2022	2021
<u>Current assets</u>		
Cash	\$ 304,662	\$ -
<u>Current liabilities</u>		
Accounts Payable	\$ 500	\$ -
Interest Payable	4,519	-
<u>Long Term Liabilities</u>		
Long Term Debt	295,000	-
<u>Shareholders' Equity</u>		
Share Capital	10,000	-
Deficit	(5,357)	-
	\$ 304,662	\$ -

	2022	2021
<u>Income statement</u>		
<u>Expenses</u>		
Interest on long term debt	\$ (4,518)	\$ -
Accounting fees	(500)	-
Legal fees	(235)	-
Office	(99)	-
Interest and bank charges	(5)	-
	-	-
	\$ (5,357)	\$ -

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

7. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 1,102,558	\$ -	\$ 1,102,558	\$ 962,558
Land improvements	558,813	289,272	269,541	288,945
Engineered structures - roadways	7,176,738	5,709,641	1,467,097	1,604,167
Buildings	811,598	296,628	514,970	534,926
Machinery and equipment	2,264,092	1,652,686	611,406	581,825
Assets under construction	277,025	-	277,025	174,902
Motor vehicles	499,746	354,071	145,675	169,557
Engineered structures - Sewer	3,004,656	2,002,719	1,001,937	1,026,750
Engineered structures - Water	4,990,213	2,046,466	2,943,747	2,993,361
Engineered structures - Gas	1,311,367	1,276,889	34,478	39,739
Engineered Structures - Solar	507,969	20,686	487,283	360,489
	\$ 22,504,775	\$ 13,649,058	\$ 8,855,717	\$ 8,737,219

8. DEFERRED REVENUE

Deferred revenue is comprised of:

	2022	2021
Canada Community-Building Fund	\$ 288,156	\$ 230,387
Municipal Sustainability Initiative - Capital	458,143	574,298
Municipal Asset Management Program Grant	-	50,000
Alberta Community Partnership Program	107,249	-
Aspen View School Alberta Infrastructure Funding	57,755	150,373
Subtotal	911,303	1,005,058
Prepaid property taxes	22,234	22,019
Prepaid utilities	5,560	2,933
	\$ 939,097	\$ 1,030,010

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.).

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

8. DEFERRED REVENUE *(continued)*

2022 2021

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.).

9. TRUST FUNDS

Trust funds are not owned by the Municipality and have been excluded from the reporting entity. The Municipality in conjunction with the County of Smoky Lake, Village of Waskatenau and the Village of Vilna administers the Physician Recruitment Program on behalf of contributing partners. The funds are in two separate bank accounts and are reconciled as follows:

	Percentage Contribution	Contributed Amount	Total
Opening balance 2022			\$ 101,657
Smoky Lake County	61 %	14,564	14,564
Town of Smoky Lake	26 %	6,207	6,207
Village of Vilna	7 %	1,671	1,671
Village of Waskatenau	6 %	1,432	1,432
	100 %	23,874	125,531
Less annual program disbursements	-	-	(6,929)
Plus opening adjustment	-	-	5,786
Plus interest earned	-	-	2,178
Ending balance 2022			\$ 126,566

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

10. LONG TERM DEBT

	2022	2021
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.	\$ 80,609	\$ 89,022
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.	160,561	177,318
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.	53,642	56,155
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.	206,396	226,250
	\$ 501,208	\$ 548,745

Principal repayment terms are approximately:

2023	\$ 48,803
2024	50,102
2025	51,435
2026	52,904
2027	54,210
Thereafter	243,754
	<u>\$ 501,208</u>

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

11. 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:

	2022	2021
Total debt limit	\$ 11,126,672	\$ 5,956,772
Total debt	(501,207)	(548,745)
Amount of debt limit unused	10,625,465	5,408,027
Debt servicing limit	1,854,445	992,795
Debt servicing	(61,711)	(68,018)
Amount of debt servicing limit unused	\$ 1,792,734	\$ 924,777

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.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is comprised of:

	2022	2021
Tangible capital assets (Note 7.)	\$ 22,504,775	\$ 21,974,129
Accumulated amortization (Note 7.)	(13,649,058)	(13,236,909)
Long term debt (Note 10.)	(501,207)	(548,745)
	\$ 8,354,510	\$ 8,188,475

13. 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 12.80% 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 11.80% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$45,175 (2021 - \$58,330). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2022 were \$40,266 (2021 - \$52,710).

The LAPP reported a surplus for the overall plan as at December 31, 2021, of \$4,961,337. Information as at December 31, 2022, was not available at the time of preparing these financial statements.

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

14. 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).

15. 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:

			2022	2021
	Salary (1)	Benefits & allowances (2)	Total	Total
H. Holowychuk - Former Mayor	\$ -	\$ -	\$ -	\$ 19,391
D. Kotylak - Former Councilor	-	-	-	19,374
A. Cherniwchan - Mayor	21,490	2,171	23,661	3,170
M. Morton - Deputy Mayor	18,135	-	18,135	14,805
T. Makowichuk - Councilor	16,625	1,592	18,217	11,290
E. Kobes - Councilor	23,575	-	23,575	3,675
R. Whitelaw - Councilor	-	-	-	12,935
M. Prockiw-Zarusky - Councilor .	23,115	3,721	26,836	4,890
Former Chief Administrative Officer	200,730	33,083	233,813	145,595
Interim Chief Administrative Officer	9,000	-	9,000	-
Chief Administrative Officer	18,000	7,982	25,982	-
Designated Officer (3)	26,585	-	26,585	21,264
	\$ 357,255	\$ 48,549	\$ 405,804	\$ 256,389

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.

16. 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, 2022.

(continues)

TOWN OF SMOKY LAKE
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

16. FINANCIAL INSTRUMENTS *(continued)*

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

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.

17. 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:

	2022	2021
Post-Remediation Costs Liability for the two gas well sites	\$ 349,000	\$ 349,000
Less: Reclamation work performed	(329,050)	(329,050)
Subtotal	19,950	19,950
Post-Remediation Costs Liability for the former landfill site	20,000	20,000
	\$ 39,950	\$ 39,950

18. 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 \$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, 2022

19. 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 (2021 - \$119,258). Future annual debenture commitments including principal and interest are estimated as follows:

Contractual obligation repayment schedule:

2023	\$	119,258
2024		119,258
2025		119,258
2026		119,258
2027		119,258
Thereafter		<u>1,235,257</u>
	\$	<u>1,831,547</u>

20. ASSET RETIREMENT OBLIGATIONS

The Municipality has adopted PS3280 Asset Retirement Obligations. The Municipality did not identify any financial liabilities in 2022 (2021 – Nil) as a result of this standard

21. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

22. COMPARATIVE FIGURES

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

23. BUDGET AMOUNTS

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