

**SMOKY LAKE COUNTY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**



# Smoky Lake County

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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Management of the Smoky Lake County is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this financial report. Management believes that the consolidated financial statements present fairly the County's financial position as at December 31, 2025 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgements. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

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

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The County Council carries out its responsibilities for review of the consolidated financial statements. They meet regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to council with and without the presence of management. The County Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by JMD Group LLP, Chartered Professional Accountants, independent external auditors appointed by the County. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the County's consolidated financial statements.

A handwritten signature in black ink, appearing to read "Chyenne Shaw", is written over a horizontal line.

Chyenne Shaw, CAO

March 26, 2026

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## INDEPENDENT AUDITOR'S REPORT

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To the Council of Smoky Lake County

### *Opinion*

We have audited the consolidated financial statements of Smoky Lake County (the organization), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, changes in net financial assets and cash flows and schedules 1 to 6 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 organization as at December 31, 2025, and the consolidated results of its operations, changes in net financial assets and 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 organization 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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.

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 organization'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 organization'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 organization 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.

St Paul, Alberta  
March 26, 2026

  
Chartered Professional Accountants


**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2025**

	2025	2024
<b>Financial assets</b>		
Cash <i>(Note 2)</i>	\$ 15,598,872	\$ 19,646,521
Taxes and grants in place receivable <i>(Note 3)</i>	756,832	728,215
Receivables from other governments	4,104,715	1,369,144
Trade and other receivables	745,543	1,009,003
Loan to MCC for Smoky Lake Development Corp.	-	600,917
Investment in Gas Alberta Inc. <i>(Note 4)</i>	67,875	67,875
Investment in MCC for Smoky Lake Development Corp.	10,000	10,000
	<u>21,283,837</u>	<u>23,431,675</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,448,823	1,751,280
Employee obligations <i>(Note 5)</i>	1,156,820	1,276,475
Deposit liabilities	237,782	239,031
Deferred revenue <i>(Note 6)</i>	265,857	984,656
Tax sale surplus	10,668	10,317
Asset retirement obligations <i>(Note 7)</i>	2,165,661	1,803,197
	<u>5,285,611</u>	<u>6,064,956</u>
<b>Net financial assets</b>	<u>15,998,226</u>	<u>17,366,719</u>
<b>Non-financial assets</b>		
Tangible capital assets <i>(Schedule 2)</i>	43,304,287	38,941,957
Inventory <i>(Note 8)</i>	3,070,475	3,327,374
Prepaid expenses	224,015	212,227
	<u>46,598,777</u>	<u>42,481,558</u>
<b>Accumulated surplus <i>(Schedule 1, Note 9)</i></b>	<u>\$ 62,597,003</u>	<u>\$ 59,848,277</u>

CONTINGENT LIABILITIES *(Note 10)*

APPROVED BY:

  
 Reeve

  
 CAO

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2025**

	Budget (Unaudited)	2025	2024
<b>Revenues</b>			
Net municipal taxes <i>(Schedule 3)</i>	\$ 11,528,839	\$ 11,427,828	\$ 10,911,691
Sales of goods and services	777,550	986,812	970,563
Government transfers for operating <i>(Schedule 4)</i>	761,857	823,370	895,251
Investment income	743,498	511,339	882,545
Penalties and costs of taxes	84,000	249,007	268,576
Licenses and permits	94,000	152,429	382,551
Special levies and taxes	209,625	216,405	503,825
Insurance recoveries	75,000	77,031	127,402
Rentals and leases	46,000	52,919	48,568
Other revenue	-	34,875	-
Natural gas	3,071,900	2,621,678	2,417,853
	<u>17,392,269</u>	<u>17,153,693</u>	<u>17,408,825</u>
<b>Expenses</b>			
Legislative	522,607	487,378	493,878
Administration	1,694,141	2,221,778	2,158,851
Protective services	1,402,933	1,294,900	1,326,956
Transportation	6,904,395	8,539,814	7,985,650
Water and wastewater	821,930	732,038	719,987
Landfill	575,774	785,260	709,682
Further education	130,000	139,202	131,831
Agricultural services	867,986	698,397	787,314
Municipal planning, community and economic development	543,151	426,529	589,640
Recreation and culture	625,017	570,392	427,017
Natural gas	3,246,900	2,891,077	2,601,854
	<u>17,334,834</u>	<u>18,786,765</u>	<u>17,932,660</u>
<b>Excess (deficiency) of revenues over expenses before other</b>	<u>57,435</u>	<u>(1,633,072)</u>	<u>(523,835)</u>
<b>Other</b>			
Government transfers for capital <i>(Schedule 4)</i>	5,960,495	4,271,232	1,598,890
Gain on disposal of tangible capital assets	456,000	110,566	669,251
	<u>6,416,495</u>	<u>4,381,798</u>	<u>2,268,141</u>
<b>Excess of revenues over expenses</b>	<u>6,473,930</u>	<u>2,748,726</u>	<u>1,744,306</u>
<b>Accumulated surplus, beginning of year</b>	<u>59,848,277</u>	<u>59,848,277</u>	<u>58,103,971</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 66,322,207</u>	<u>\$ 62,597,003</u>	<u>\$ 59,848,277</u>

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
**YEAR ENDED DECEMBER 31, 2025**

	Budget (Unaudited)	2025	2024
<b>Excess of revenues over expenses</b>	\$ 6,473,930	\$ 2,748,726	\$ 1,744,306
Amortization of tangible capital assets	2,289,300	<b>2,355,313</b>	2,272,835
Acquisition of tangible capital assets	(8,500,000)	<b>(7,576,675)</b>	(3,929,058)
Proceeds on disposal of tangible capital assets	900,000	<b>969,601</b>	1,100,530
Gain on disposal of tangible capital assets	(456,000)	<b>(110,566)</b>	(669,251)
	(5,766,700)	<b>(4,362,327)</b>	(1,224,944)
Decrease in inventory	250,000	<b>256,896</b>	234,750
Increase in prepaid expenses	(10,000)	<b>(11,788)</b>	(157,728)
	(5,526,700)	<b>(4,117,219)</b>	(1,147,922)
<b>Increase (decrease) in net financial assets</b>	947,230	<b>(1,368,493)</b>	596,384
<b>Net financial assets - beginning of year</b>	17,366,719	<b>17,366,719</b>	16,770,335
<b>Net financial assets - end of year</b>	<b>\$ 18,313,949</b>	<b>\$ 15,998,226</b>	<b>\$ 17,366,719</b>

**SMOKY LAKE COUNTY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2025**

	2025	2024
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>Operating</b>		
Excess of revenues over expenses	\$ 2,748,726	\$ 1,744,306
Items not affecting cash:		
Amortization of tangible capital assets	2,355,313	2,272,835
Gain on disposal of tangible capital assets	(110,566)	(669,251)
	<u>4,993,473</u>	<u>3,347,890</u>
Changes in non-cash working capital:		
Taxes and grants in place receivable	(28,617)	(215,979)
Receivables from other governments	(2,735,571)	(792,130)
Trade and other receivables	263,460	(385,314)
Accounts payable and accrued liabilities	(302,460)	645,606
Employee obligations	(119,655)	(72,473)
Deposit liabilities	(1,250)	(218)
Deferred revenue	(718,798)	(58,098)
Tax sale surplus	351	-
Asset retirement obligations	362,464	35,357
Inventory	256,899	234,750
Prepaid expenses	(11,788)	(157,728)
	<u>(3,034,965)</u>	<u>(766,227)</u>
Net cash from operations	<u>1,958,508</u>	<u>2,581,663</u>
<b>Capital</b>		
Purchase of tangible capital assets	(7,576,675)	(3,929,058)
Proceeds on disposal of tangible capital assets	969,601	1,100,530
	<u>(6,607,074)</u>	<u>(2,828,528)</u>
<b>Investing</b>		
Change in restricted cash	-	602,494
Loan to MCC for Smoky Lake Development Corp.	600,917	14,650
Redemption of shares in Gas Alberta Inc.	-	57
	<u>600,917</u>	<u>617,201</u>
Net change in cash during the year	<u>(4,047,649)</u>	<u>370,336</u>
Cash - beginning of year	<u>19,646,521</u>	<u>19,276,185</u>
Cash - end of year	<u>\$ 15,598,872</u>	<u>\$ 19,646,521</u>

**SMOKY LAKE COUNTY**  
**SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2025	2024
<b>Balance, beginning of year</b>	\$ 7,996,140	\$ 14,713,378	\$ 37,138,759	\$ 59,848,277	\$ 58,103,971
Excess of revenues over expenses	2,748,726	-	-	2,748,726	1,744,307
Funds used for tangible capital assets	(7,557,675)	(19,000)	7,576,675	-	-
Annual amortization expense	2,355,313	-	(2,355,313)	-	-
Disposals of tangible capital assets	859,032	-	(859,032)	-	-
Asset retirement obligation	320,000	-	(320,000)	-	-
Annual accretion expense	42,464	-	(42,464)	-	-
Funds designated for future use	(114,825)	114,825	-	-	-
Funds used for operations	1,117,967	(1,117,967)	-	-	-
<b>Change in accumulated surplus</b>	<b>(228,998)</b>	<b>(1,022,142)</b>	<b>3,999,866</b>	<b>2,748,726</b>	<b>1,744,307</b>
<b>Balance, end of year</b>	<b>\$ 7,767,142</b>	<b>\$ 13,691,236</b>	<b>\$ 41,138,625</b>	<b>\$ 62,597,003</b>	<b>\$ 59,848,278</b>

**SMOKY LAKE COUNTY**  
**SCHEDULE 2 - TANGIBLE CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2025	2024
<b>Cost</b>								
Balance, beginning of year	\$ 7,457,815	\$ 2,224,641	\$ 5,603,734	\$ 53,147,007	\$ 14,340,465	\$ 7,020,681	\$ 89,794,343	\$ 86,364,100
Acquisition of tangible capital assets	-	-	320,000	1,818,092	2,368,153	878,681	5,384,976	3,500,485
Construction in-progress	-	-	-	2,191,749	-	-	2,191,749	428,574
Disposal of tangible capital assets	(17,700)	-	-	(19,292)	(1,639,959)	(969,941)	(2,646,892)	(498,816)
Balance, end of year	7,440,115	2,224,641	5,923,734	57,137,556	15,068,659	6,929,421	94,724,126	89,794,343
<b>Accumulated amortization</b>								
Balance, beginning of year	-	1,224,358	2,068,274	34,703,447	8,243,498	4,612,809	50,852,386	48,647,087
Annual amortization	-	68,805	146,491	1,102,981	702,205	334,831	2,355,313	2,272,835
Accumulated amortization on disposals	-	-	-	(3,376)	(1,156,407)	(628,077)	(1,787,860)	(67,536)
Balance, end of year	-	1,293,163	2,214,765	35,803,052	7,789,296	4,319,563	51,419,839	50,852,386
<b>Net book value of tangible capital assets</b>	\$ 7,440,115	\$ 931,478	\$ 3,708,969	\$ 21,334,504	\$ 7,279,363	\$ 2,609,858	\$ 43,304,287	\$ 38,941,957
2024 Net book value of tangible capital assets	\$ 7,457,815	\$ 1,000,283	\$ 3,535,460	\$ 18,443,560	\$ 6,096,967	\$ 2,407,872	\$ 38,941,957	

**SMOKY LAKE COUNTY**  
**SCHEDULE 3 - PROPERTY TAXES LEVIED**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget (Unaudited)	2025	2024
<b>Taxation</b>			
Residential	\$ 3,678,588	\$ 3,445,545	\$ 3,354,392
Non-residential	1,296,877	1,390,717	1,343,327
Farmland	944,735	1,014,237	991,541
Machinery and equipment	1,435,878	1,313,885	1,357,698
Linear property	7,040,655	7,122,579	6,448,274
Grants in place	99,590	103,575	69,721
	<u>14,496,323</u>	<u>14,390,538</u>	<u>13,564,953</u>
<b>Requisitions</b>			
Alberta School Foundation Fund	2,384,250	2,389,500	2,091,898
Smoky Lake Foundation	554,615	549,789	537,452
Designated Industrial Property	23,369	23,421	23,912
	<u>2,962,234</u>	<u>2,962,710</u>	<u>2,653,262</u>
<b>Net municipal taxes</b>	<u>\$ 11,534,089</u>	<u>\$ 11,427,828</u>	<u>\$ 10,911,691</u>

**SCHEDULE 4 - GOVERNMENT TRANSFERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget (Unaudited)	2025	2024
<b>Transfers for operations</b>			
Federal grants	\$ 5,000	\$ 10,500	\$ 8,400
Provincial	719,257	761,227	835,227
Local governments	37,600	51,643	51,624
	<u>761,857</u>	<u>823,370</u>	<u>895,251</u>
<b>Transfers for capital</b>			
Provincial	5,960,495	4,271,232	1,598,890
<b>Total government transfers</b>	<u>\$ 6,722,352</u>	<u>\$ 5,094,602</u>	<u>\$ 2,494,141</u>

**SMOKY LAKE COUNTY**  
**SCHEDULE 5 - CONSOLIDATED EXPENSES BY OBJECT**  
**FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget (Unaudited)	2025	2024
<b>Expenses</b>			
Salaries, wages and benefits	\$ 8,352,197	\$ 8,089,938	\$ 7,798,801
Contracted and general services	2,736,976	2,836,580	2,710,526
Purchases from other governments	238,000	161,886	170,137
Materials, goods, supplies and utilities	1,793,605	3,369,678	3,172,172
Provision for allowances and bad debts	-	336,665	172,142
Transfers to other governments	40,330	45,123	34,523
Transfers to individuals and organizations	404,335	464,757	675,978
Bank charges and short-term interest	5,900	6,549	6,284
Tax adjustments	3,000	13,272	6,053
Natural gas purchases	1,471,191	1,064,540	877,852
Amortization of tangible capital assets	2,289,300	2,355,313	2,272,835
Accretion expense	-	42,464	35,357
<b>Total expenses</b>	<b>\$ 17,334,834</b>	<b>\$ 18,786,765</b>	<b>\$ 17,932,660</b>

**SMOKY LAKE COUNTY**

**SCHEDULE 6 - SEGMENTED DISCLOSURE  
FOR THE YEAR ENDED DECEMBER 31, 2025**

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and Community Services	Agricultural Services	Recreation and Culture	Gas Utility	2025
<b>Revenues</b>									
Net municipal taxes	\$ 11,427,828	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,427,828
User fees (rentals and sales)	137,154	248,354	229,774	375,754	3,000	5,145	40,550	2,621,678	3,661,409
Government transfers for operating	173,952	98,212	-	-	236,709	184,997	129,500	-	823,370
Investment income	394,833	-	-	-	-	-	-	116,506	511,339
Other operating revenues	326,138	58,110	253,951	9,275	82,273	-	-	-	729,747
	12,459,905	404,676	483,725	385,029	321,982	190,142	170,050	2,738,184	17,153,693
<b>Expenses</b>									
Salaries, wages and benefits	1,162,328	505,817	3,789,687	707,082	266,402	372,518	252,851	1,033,253	8,089,938
Contracted/ general services	806,111	531,835	765,068	375,176	144,942	109,456	46,494	219,384	2,998,466
Goods and supplies	116,734	127,312	2,436,087	163,969	832	162,345	34,860	1,392,079	4,434,218
Transfers to others	125,400	-	-	45,123	150,074	-	189,283	-	509,880
Other expenses	350,579	-	4,246	1,659	-	-	-	-	356,484
	2,561,152	1,164,964	6,995,088	1,293,009	562,250	644,319	523,488	2,644,716	16,388,986
<b>Net revenue before other</b>	9,898,753	(760,288)	(6,511,363)	(907,980)	(240,268)	(454,177)	(353,438)	93,468	764,707
<b>Other</b>									
Amortization expense	(142,875)	(129,936)	(1,535,945)	(197,006)	-	(56,285)	(46,905)	(246,361)	(2,355,313)
Accretion expense	(6,400)	-	(9,020)	(27,044)	-	-	-	-	(42,464)
Capital grants	-	-	4,271,232	-	-	-	-	-	4,271,232
Gain (loss) on disposal of tangible capital assets	(14,100)	-	212,730	(95,731)	-	4,192	3,475	-	110,566
	(163,375)	(129,936)	2,938,997	(319,781)	-	(52,093)	(43,430)	(246,361)	1,984,021
<b>Net revenues</b>	\$ 9,735,378	\$ (890,224)	\$ (3,572,366)	\$ (1,227,761)	\$ (240,268)	\$ (506,270)	\$ (396,868)	\$ (152,893)	\$ 2,748,728

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

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1. **SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the county are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the county and are, therefore, accountable to the county Council for the administration of their financial affairs and resources.

Included with the county is the Smoky Lake County Gas Utility.

The schedule of taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

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. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed.

Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

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 consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates include allowance for uncollectable receivables, provision for amortization of tangible capital assets, payables and accretion of asset retirement obligations. These estimates are reviewed periodically and as adjustments become necessary, they are reported in operations in the period in which they become known.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued and subsequently measured at amortized cost. Transaction costs and financial fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

*(continues)*

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

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

Cash

Cash is defined as petty cash and cash in chequing and savings accounts adjusted for outstanding cheques and deposits.

Investments

Investments are recorded at amortized cost. 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.

Inventory

Inventories of supplies for resale are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

Government Transfers

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

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the county has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance.

*(continues)*

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred Revenue

Deferred revenues represent government transfers (collected or allocated), donations, and other amounts that have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

1. Tangible Capital Assets

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

	<u>Years</u>
Land improvements	10-27
Buildings	50
Engineered structures	
Roadway system	15
Water system	18-40
Wastewater system	18-40
Bridges	50-150
Gas distribution system	40-50
Machinery and equipment	20-30
Vehicles	10-20

One-half of the annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

2. 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.

3. 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.

4. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

*(continues)*

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset Retirement Obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the county to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

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

2. CASH

	2025	2024
Petty cash	\$ 900	\$ 900
Current accounts	938,300	1,346,801
Savings accounts	14,647,803	18,287,302
Trust account	11,869	11,518
	\$ 15,598,872	\$ 19,646,521

Council has designated \$13,691,236 (2024 - \$14,713,378) to fund the reserves.

Included in cash is a restricted amount of \$NIL (2024 - NIL) comprised of deferred grants received and not expended (see Note 7).

3. TAXES AND GRANTS IN PLACE RECEIVABLE

	2025	2024
Current	\$ 498,788	\$ 451,937
Arrears	2,929,133	2,635,002
Less allowance for doubtful accounts	(2,671,089)	(2,358,724)
	\$ 756,832	\$ 728,215

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

4. INVESTMENT IN GAS ALBERTA INC.

The shareholders of Gas Alberta Inc. are predominantly made up of members of the Federation of Alberta Gas Co-ops.

	2025	2024
<u>The county's investment consists of</u>		
Class A common shares	\$ 375	\$ 375
Loan receivable	67,500	67,500
	\$ 67,875	\$ 67,875

The loan is non-interest bearing and is secured by a debenture. The loan may be repaid at Gas Alberta Inc.'s option or is due when the county no longer holds any of the Class A common shares.

5. EMPLOYEE OBLIGATIONS

	2025	2024
Accrued holiday pay	\$ 366,110	\$ 319,784
Accrued sick leave	543,048	588,527
Accrued retirement benefits	103,797	91,774
Accrued wages and benefits	143,865	276,390
	\$ 1,156,820	\$ 1,276,475

6. DEFERRED REVENUE

	2025	2024
Canada Community Building Fund	\$ 91,340	\$ 484,248
LGFF Capital	153,759	232,033
Alberta Transportation STIIP - Bridge grants	1,306	163,194
Alberta Public Safety and Emergency Services - Police Study	-	77,348
Advanced Education	18,532	17,833
Embridge Grant	-	10,000
Alberta Fire Training	920	-
	\$ 265,857	\$ 984,656

Unexpended funding in the amount of \$265,858 (2024 - \$984,655) was allocated to the county in the current year from various federal and provincial government programs and others. The use of these funds is restricted to eligible operating and capital projects as approved under the funding agreements. Of these allocations, funds received and unexpended are supported by funds in savings accounts of \$NIL (2024 - \$NIL) and the remaining deferred grants are supported by receivables from other governments.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**7. ASSET RETIREMENT OBLIGATIONS**

Alberta environmental law requires closure and post-closure care of landfill sites, which includes final covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance.

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 county has also recognized a liability for restoration of the Spedden landfill and two gravel pits. These amounts have not been added to the cost of an asset as land is not amortized.

In 2025, a liability was recorded for the estimated cost of asbestos removal in the county office building.

The liabilities are increased annually by the accretion expense.

	Opening Balance	Accretion and addition	Total
Smoky Lake landfill reclamation	\$ 450,112	\$ 9,002	\$ 459,114
Smoky Lake landfill post-closure monitoring	343,439	6,869	350,308
Spedden landfill reclamation	178,243	3,565	181,808
Spedden landfill post-closure monitoring	380,389	7,608	387,997
White Earth gravel pit	371,422	7,428	378,850
Sowka Lake gravel pit	79,592	1,592	81,184
County office building	-	326,400	326,400
	<b>\$ 1,803,197</b>	<b>\$ 362,464</b>	<b>\$ 2,165,661</b>

The undiscounted expenditures represent the estimated cash outflows required in future years in order to satisfy the asset retirement obligation assuming annual inflation of 2%. Undiscounted expenditures have been discounted using a 2% rate to calculate the current liability.

	2025	2024
<u>Undiscounted Expenditures</u>		
Smoky Lake landfill reclamation	\$ 723,976	\$ 723,976
Smoky Lake landfill post-closure monitoring	563,448	563,448
Spedden landfill reclamation	259,665	259,665
Spedden landfill post-closure monitoring	565,241	565,241
White Earth gravel pit	942,056	942,056
Sowka Lake gravel pit	201,869	201,869
County office building	475,503	-
	<b>\$ 3,731,758</b>	<b>\$ 3,256,255</b>

The Smoky Lake landfill asset retirement obligation expenditures are anticipated to be incurred in 2049.

The post-closure monitoring of the Smoky Lake landfill asset retirement obligation expenditures are anticipated to be incurred in annual increments of \$28,860 over 25 years, starting in 2050.

The Spedden landfill asset retirement obligation expenditures are anticipated to be incurred in 2044.

The post-closure monitoring of the Spedden landfill asset retirement obligation expenditures are anticipated to be incurred in annual increments of \$28,860 over 25 years, starting in 2045.

The gravel pits are both expected to be reclaimed in 2072.

The county office building has an estimated remaining life of 20 years.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

8. INVENTORY

	2025	2024
Public works	\$ 523,716	\$ 532,982
Gravel (valued at crushing cost)	2,306,051	2,542,660
A.S.B.	85,450	85,367
	2,915,217	3,161,009
Gas utility	155,258	166,365
	\$ 3,070,475	\$ 3,327,374

9. ACCUMULATED SURPLUS

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

	2025	2024
Unrestricted surplus	\$ 7,767,142	\$ 7,996,140
Restricted surplus		
Municipal reserve	52,423	52,423
Reserve - General Capital	1,486,721	1,804,419
Building	1,189,721	1,189,721
Connectivity	476,523	476,523
Fire	1,738,650	1,738,650
Transportation	118,253	1,295,609
Road development	2,157,448	2,204,355
Street sweeper	80,480	80,480
Gravel pit reclamation	294,935	477,017
Gravel pit development	132,533	132,533
Regional waterline	260,559	255,559
Regional landfill	399,160	344,160
Agricultural capital reserve	117,000	117,000
	8,504,406	10,168,449
Municipal general	1,614,008	2,220,508
Municipal operating	1,133,576	-
Gas utility	2,324,421	2,324,421
Gas asset replacement	114,825	-
	13,691,236	14,713,378
Total restricted	13,691,236	14,713,378
Equity in tangible capital assets	41,138,625	37,138,759
	\$ 62,597,003	\$ 59,848,277

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

10. CONTINGENT LIABILITIES

Evergreen Regional Waste Management Services Commission

Smoky Lake County is a member of the Evergreen Regional Waste Management Services Commission. Each participating municipality funds a portion of the Commission's deficit based on their proportionate tippage for the year. The expense is accounted for as a current transaction in the year the county is invoiced.

Highway 28/63 Regional Water Services Commission

Smoky Lake County is a member of Highway 28/63 Regional Water Services Commission. Each participating municipality is responsible for their proportionate share of any unfunded deficit. The expense is accounted for as a current transaction in the year the county is invoiced.

11. COMMITMENTS

The county has entered into a number of two to five year contracts for computer support and subscriptions. The prices for 2026 are: GIS webmap support \$52,775, GIS license \$58,250, and license for request management and infrastructure management \$9,360.

The county has entered into a five year contract to 2028 with Accurate Assessment for assessment services. The price for 2026 is estimated to be \$150,650..

The county has entered into a three year contract to 2028 with Smoky Lake Waste and Recycle Ltd. for the hauling and disposal of waste. The price for 2026 is estimated to be \$194,418.

The contract for audit services has expired.

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 Smoky Lake County be disclosed as follows:

	2025	2024
Total debt limit	\$ 25,896,392	\$ 27,117,114
Total debt	-	-
Debt limit remaining	\$ 25,896,392	\$ 27,117,114
Debt servicing limit	\$ 4,316,065	\$ 4,519,519
Debt servicing	-	-
Debt service limit remaining	\$ 4,316,065	\$ 4,519,519

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.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

13. SALARY AND BENEFITS DISCLOSURE

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

	Salary (1)	Benefits & Allow. (2)	Expenses (3)	2025
<u>Council</u>				
Reeve - Serben	\$ 60,896	\$ 14,826	\$ 6,023	\$ 81,745
Councillor - Serben	10,519	2,965	2,463	15,947
Reeve - Lukinuk	12,179	2,707	7,123	22,009
Councillor - Halisky	63,666	18,147	12,411	94,224
Councillor - Gawalko	52,594	10,322	10,908	73,824
Councillor - Fenerty	52,594	11,422	7,720	71,736
Councillor - Cere	55,362	13,554	6,608	75,524
Councillor - Kully	10,519	3,389	6,904	20,812
Councillor - Barker	10,519	3,389	5,790	19,698
	<u>\$ 328,848</u>	<u>\$ 80,721</u>	<u>\$ 65,950</u>	<u>\$ 475,519</u>
<u>Others</u>				
CAO - Lucas	\$ 208,274	\$ 23,828	\$ 4,909	\$ 237,011
Interim CAO - Adamson	44,483	7,767	92	52,342
Designated officers (5)	303,475	39,917	2,951	346,343
	<u>\$ 556,232</u>	<u>\$ 71,512</u>	<u>\$ 7,952</u>	<u>\$ 635,696</u>

	Salary (1)	Benefits & Allow (2)	Expenses (3)	2024
<u>Council</u>				
Reeve - Serben	\$ 77,075	\$ 18,130	\$ 9,970	\$ 105,175
Councillor - Halisky	67,113	16,651	10,878	94,642
Councillor - Gawalko	67,113	12,612	13,846	93,571
Councillor - Fenerty	69,881	14,077	16,099	100,057
Councillor - Cere	67,666	16,103	6,839	90,608
	<u>\$ 348,848</u>	<u>\$ 77,573</u>	<u>\$ 57,632</u>	<u>\$ 484,053</u>
<u>Others</u>				
CAO - Lucas	\$ 97,250	\$ 20,632	\$ 2,724	\$ 120,606
Interim CAO -Cielin	60,653	12,883	165	73,701
Designated officers (3)	300,982	40,169	3,907	345,058
	<u>\$ 458,885</u>	<u>\$ 73,684</u>	<u>\$ 6,796</u>	<u>\$ 539,365</u>

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

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance, accidental death and dismemberment insurance, long and short-term disability plans, LAPP contributions, RRSP contributions and professional memberships.

(3) Expenses include travel, mileage, meals, accommodation, registration fees and other expenses.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

**14. LOCAL AUTHORITIES PENSION PLAN**

Employees of the county 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.

	<b>2025</b>	<b>2024</b>
Current service contributions by employer	<b>\$ 225,163</b>	\$ 241,212
Current service contributions by employees	<b>200,995</b>	215,351
	<b>\$ 426,158</b>	\$ 456,563

The county 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 11.65% on pensionable earnings above this amount. Employees of the county are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 10.65% on pensionable salary above this amount.

At December 31, 2024, the LAPP disclosed an actuarial surplus of \$19.6 billion.

For further information of the amount of LAPP deficiency/surplus see: [www.lapp.ca/page/annual-reports](http://www.lapp.ca/page/annual-reports).

**15. SEGMENTED DISCLOSURE**

The Smoky Lake County 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 Schedule 6 – Segmented Disclosure.

General government service includes council and other legislative, and general administration. Protective services include bylaw enforcement, police and fire. Transportation service includes roads, streets, walks and lighting. Environmental service includes water supply and distribution, wastewater treatment and disposal, and waste management. Planning and community services include land use planning, zoning and subdivision land and development, advanced education and family and community support, Recreation and culture includes parks and recreation, libraries and halls.

**16. OTHER CREDIT FACILITIES**

The county has a prime plus 1% authorized operating line of credit of \$5,000,000 with the Alberta Treasury Branch. No balance was outstanding as at December 31, 2025.

The county has ATB MasterCard with a combined limit of \$50,000. Interest is calculated on principal owing beyond one month at the rate of prime plus 2%.

**SMOKY LAKE COUNTY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2025**

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17. FINANCIAL INSTRUMENTS

The county's financial instruments consist of cash, receivables, long-term investments and accounts payable and accrued liabilities. It is management's opinion that the county is not exposed to significant interest or currency risks arising from these financial instruments.

The county is subject to credit risk with respect to taxes and grants in place receivable, and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the county provides services may experience financial difficulty and be unable to fulfill their obligations. The county has recorded a total allowance of \$2,755,389 (2024 - \$2,418,724). The large number and diversity of taxpayers and customers minimizes the credit risk.

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

18. APPROVAL OF FINANCIAL STATEMENTS

Council and management have approved these financial statements.

19. BUDGET AMOUNTS

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

20. RECENT ACCOUNTING PRONOUNCEMENTS PUBLISHED BUT NOT YET ADOPTED

Conceptual Framework for Financial Reporting in the Public Sector

This standard describes the concepts underlying the development and use of accounting principles in government financial statements. It also identifies the objectives of government financial statements that are generally acceptable to the users and preparers of the statements. It applies to years beginning on or after April 1, 2026.

PSAS Section 1202, Financial Statement Presentation

This standard responds to the need for understandable financial statements. The new reporting model will consist of:

- a statement of financial position;
- a statement of net financial assets (net financial liabilities);
- a statement of operations;
- a statement of changes in net assets (net liabilities);
- a statement of cash flows; and
- accompanying notes and schedules.