

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION
Financial Statements
For the Year Ended December 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Smoky River Regional Water Management Commission

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 judgements of management.

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 financial statements.

JDP Wasserman LLP have been appointed by the Board Members of Smoky River Regional Water Management Commission to express an opinion on the financial statements.



Rick Gervais
Manager

Falher, AB
March 26, 2024



6515 – 118th Avenue NW
Edmonton, AB T5W 1G5
Telephone: (780) 479-7327
Fax: (780) 474-5696
E-mail: info@jdpwasserman.com

5010 – 51st Street
Wetaskiwin, AB T9A 1L3
Telephone: (780) 352-8982
Fax: (780) 352-5285
E-mail: info@jdpwasserman.com

101, 4946 – 50th Street
Camrose, AB T4V 1R1
Telephone: (780) 608-4849
Fax: (587) 386-0079
E-mail: info@jdpwasserman.com

INDEPENDENT AUDITORS' REPORT

To the Members of Smoky River Regional Water Management Commission

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2023, and the 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with ethical requirements that are relevant to our audit of 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Members of the Board) are responsible for overseeing the Commission's financial reporting process.

(continues)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Edmonton, Alberta
March 26, 2024

**JDP Wasserman
LLP**

Chartered Professional Accountants

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Statement of Financial Position

As at December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,439,427	\$ 1,605,177
Accounts receivable (Note 3)	209,064	82,056
Investments (Note 4)	3,403	2,985
	<u>1,651,894</u>	<u>1,690,218</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	56,779	42,019
Long-term debt (Note 6)	1,405,687	1,545,093
	<u>1,462,466</u>	<u>1,587,112</u>
NET FINANCIAL ASSETS	<u>189,428</u>	<u>103,106</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	2,200	400
Inventory for consumption	12,456	7,971
Tangible capital assets (Schedule 1)	12,251,959	12,479,489
	<u>12,266,615</u>	<u>12,487,860</u>
ACCUMULATED SURPLUS (Note 9)	<u>\$ 12,456,043</u>	<u>\$ 12,590,966</u>

ON BEHALF OF THE BOARD:

 _____ Chair

 _____ Board Member

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2023

	2023 (Budget) (Note 11)	2023 (Actual)	2022 (Actual)
REVENUES			
Fees charged to commission members (Note 8)	\$ 1,030,000	\$ 1,043,639	\$ 1,033,515
Provincial government transfers for operating	-	114,733	-
Investment income	10,000	87,835	40,770
Other revenues	8,000	14,268	87,830
	<u>1,048,000</u>	<u>1,260,475</u>	<u>1,162,115</u>
EXPENSES			
Amortization of tangible capital assets	-	359,556	356,622
Salaries, wages and benefits	288,450	281,473	278,514
Utilities	140,000	180,975	147,215
Professional services	20,000	159,135	20,261
Chemicals	90,000	122,008	96,920
Interest on long-term debt	75,592	75,286	82,025
Repairs and maintenance	86,000	71,866	118,916
Fleet	53,000	53,972	55,811
Insurance	34,000	31,070	31,978
Contracted and general services	25,000	21,448	22,276
Supplies and fuel	23,000	18,835	24,189
Postage, phone and freight	11,500	10,048	9,748
Travel and subsistence	5,000	4,802	4,481
Rental	4,000	3,065	2,400
Other	1,500	743	692
Licences and permits	5,000	546	4,050
Advertising, print and memberships	1,500	545	702
Bank charges	100	25	-
	<u>863,642</u>	<u>1,395,398</u>	<u>1,256,800</u>
ANNUAL SURPLUS (DEFICIT)	184,358	(134,923)	(94,685)
ACCUMULATED SURPLUS - TO BEGIN YEAR	12,590,966	12,590,966	12,685,651
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 12,775,324</u>	<u>\$ 12,456,043</u>	<u>\$ 12,590,966</u>

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2023

	2023 (Budget) (Note 11)	2023 (Actual)	2022 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 184,358	\$ (134,923)	\$ (94,685)
Amortization of tangible capital assets	-	359,556	356,622
Purchase of tangible capital assets	-	(132,026)	-
Acquisition of prepaid expenses	-	(1,800)	-
(Acquisition) Use of inventory for consumption	-	(4,485)	927
	-	221,245	357,549
INCREASE IN NET FINANCIAL ASSETS	184,358	86,322	262,864
NET FINANCIAL ASSETS (DEBT) - BEGINNING OF YEAR	103,106	103,106	(159,758)
NET FINANCIAL ASSETS - END OF YEAR	\$ 287,464	\$ 189,428	\$ 103,106

The accompanying notes form an integral part of these financial statements.
JDP Wasserman LLP /// Chartered Professional Accountants

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Statement of Cash Flows

For the Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Annual deficit	\$ (134,923)	\$ (94,685)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	359,556	356,622
	<u>224,633</u>	<u>261,937</u>
Changes in non-cash working capital:		
Accounts receivable	(127,008)	2,417
Accounts payable and accrued liabilities	14,760	(1,200)
Prepaid expenses	(1,800)	-
Inventory for consumption	(4,485)	927
	<u>(118,533)</u>	<u>2,144</u>
Cash flow from operating activities	<u>106,100</u>	<u>264,081</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(132,026)	-
Net change in investments	(418)	(297)
Cash flow used by investing activities	<u>(132,444)</u>	<u>(297)</u>
FINANCING ACTIVITY		
Repayment of long-term debt	(139,406)	(132,683)
Cash flow used by financing activity	<u>(139,406)</u>	<u>(132,683)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(165,750)</u>	<u>131,101</u>
Cash and cash equivalents - beginning of year	<u>1,605,177</u>	<u>1,474,076</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,439,427</u>	<u>\$ 1,605,177</u>

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION
Schedule of Tangible Capital Assets
For the Year Ended December 31, 2023

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2023	2022
COST								
BALANCE, BEGINNING OF YEAR	\$ 50,000	\$ -	\$ -	\$ 19,350,232	\$ -	\$ -	\$ 19,400,232	\$ 19,400,232
Purchase of tangible capital assets	-	-	-	132,026	-	-	132,026	-
BALANCE, END OF YEAR	\$ 50,000	\$ -	\$ -	\$ 19,482,258	\$ -	\$ -	\$ 19,532,258	\$ 19,400,232
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ -	\$ -	\$ 6,920,743	\$ -	\$ -	\$ 6,920,743	\$ 6,564,121
Amortization of tangible capital assets	-	-	-	359,556	-	-	359,556	356,622
BALANCE, END OF YEAR	\$ -	\$ -	\$ -	\$ 7,280,299	\$ -	\$ -	\$ 7,280,299	\$ 6,920,743
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 50,000	\$ -	\$ -	\$ 12,201,959	\$ -	\$ -	\$ 12,251,959	\$ 12,479,489
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2022	\$ 50,000	\$ -	\$ -	\$ 12,429,489	\$ -	\$ -	\$ 12,479,489	

Included in the net book value of tangible capital assets is work-in-progress of \$Nil (2022 - \$Nil).

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Schedule of Equity in Tangible Capital Assets

(Schedule 2)

For the Year Ended December 31, 2023

	2023	2022
BALANCE, BEGINNING OF YEAR	\$ 10,934,396	\$ 11,158,335
Purchase of tangible capital assets	132,026	-
Amortization of tangible capital assets	(359,556)	(356,622)
Repayment of long-term debt	139,406	132,683
BALANCE, END OF YEAR	\$ 10,846,272	\$ 10,934,396
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets (Schedule 1)	\$ 12,251,959	\$ 12,479,489
Long-term debt (Note 6)	(1,405,687)	(1,545,093)
	\$ 10,846,272	\$ 10,934,396

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

1. ACCOUNTING POLICIES

The financial statements of Smoky River Regional Water Management Commission (the "Commission") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Commission are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, and cash flows of the Commission. The members of the Commission are the Towns of Falher and McLennan, the Villages of Girouxville and Donnelly, and the Municipal District of Smoky River No. 130.

The Commission is constituted under the *Alberta Municipal Government Act* and was established for the purpose of constructing, maintaining, controlling, and managing a regional water supply line from Smoky River. It was approved by the Minister of Municipal Affairs on May 28, 2003.

The Commission is exempt from income taxes under Section 149 of the *Canadian Income Tax Act*.

(b) Basis of Accounting

The Commission follows the accrual basis of accounting. Revenues are accounted for in the period in which the service is delivered or in which the transactions or events occurred that gave rise to the revenues. Investment income is recognized when it is earned. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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 are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the Commission has met any eligibility criteria, and reasonable estimates of the amounts can be made.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of 90 days or less at acquisition.

(d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written-down to recognize the loss. Gains on principal protected notes are recognized as income when sold.

(continues)

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

1. ACCOUNTING POLICIES (*continued*)

(e) *Non-Financial Assets*

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual deficit, provides the Statement of Changes in Net Financial Debt for the year (page 7).

(f) *Inventories for Consumption*

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

(g) *Tangible Capital Assets*

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

Engineered structures	45 - 75 years
Vehicles	10 years

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

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

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

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(*continues*)

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

1. ACCOUNTING POLICIES *(continued)*

(h) Asset Retirement

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 Commission 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 the 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 Commission reviews the carrying amount of the liability. The Commission 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 Commission 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.

(i) Contaminated Sites

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

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The Commission has used estimates to determine accrued liabilities and tangible capital asset useful lives.

(k) New Accounting Standards not yet Adopted

Effective for fiscal years beginning on or after April 1, 2023, *PS3400 Revenue* provides guidance on how to account for and report revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

2. CASH AND CASH EQUIVALENTS

	2023	2022
Notice on demand bank accounts	\$ 1,082,206	\$ 1,309,995
Bank account	357,201	295,162
Petty cash	20	20
	<u>\$ 1,439,427</u>	<u>\$ 1,605,177</u>

The notice on demand bank accounts bear interest at a rate of prime minus 1.50% and require notice to access funds of 90 days.

3. ACCOUNTS RECEIVABLE

	2023	2022
Due from Provincial government	\$ 114,733	\$ -
Trade and other	71,522	73,736
Goods and Services Tax recoverable	22,809	8,320
	<u>\$ 209,064</u>	<u>\$ 82,056</u>

4. INVESTMENTS

Investments consist of an equity share in the Girouxville Co-op.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
Trade and other	\$ 36,916	\$ 22,678
Employee earned vacation and sick liability	16,780	15,952
Accrued interest on long-term debt	3,083	3,389
	<u>\$ 56,779</u>	<u>\$ 42,019</u>

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

6. LONG-TERM DEBT

	2023	2022
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$70,601 including interest at 5.012% maturing in 2031.	\$ 873,748	\$ 967,614
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$26,488 including interest at 4.995% maturing in 2032.	363,285	396,852
Alberta Capital Finance Authority debenture repayable in semi-annual installments of \$10,410 including interest at 4.980% maturing in 2034.	168,654	180,627
	<u>\$ 1,405,687</u>	<u>\$ 1,545,093</u>

Principal and interest payments are due as follows:

	Principal	Interest	Total
2024	\$ 146,471	\$ 68,527	\$ 214,998
2025	153,894	61,104	214,998
2026	161,693	53,305	214,998
2027	169,887	45,111	214,998
2028	178,497	36,501	214,998
Thereafter	595,245	73,792	669,037
	<u>\$ 1,405,687</u>	<u>\$ 338,340</u>	<u>\$ 1,744,027</u>

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

7. DEBT LIMITS

Debenture debt is repayable to the Alberta Capital Finance Authority and is issued on the credit and security of the Commission at large. Section 3 of Alberta Regulation 76/2000 requires that debt and debt limits for the Commission be disclosed as follows:

	2023	2022
Total debt limit	\$ 2,520,950	\$ 2,324,230
Total debt	(1,405,687)	(1,545,093)
Total debt limit remaining	\$ 1,115,263	\$ 779,137
Service on debt limit	\$ 441,166	\$ 406,740
Service on debt	(214,998)	(214,998)
Total service on debt limit remaining	\$ 226,168	\$ 191,742

The debt limit is calculated at 2 times revenues of the Commission (as defined by Alberta Regulation 76/2000) and the debt service limit is calculated at 0.35 times such revenues. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipal entities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the Commission. Rather, the financial statements must be interpreted as a whole.

8. RELATED PARTIES

Fees charged to Commission members are summarized as follows:

	2023	2022
Town of Falher	\$ 482,531	\$ 455,072
Smoky River Water Co-operative Ltd.	274,068	275,886
Village of Girouxville	148,258	151,235
Village of Donnelly	138,782	151,322
Town of McLennan	-	-
Municipal District of Smoky River No. 130	-	-
	\$ 1,043,639	\$ 1,033,515

Smoky River Water Co-operative Ltd. has also been identified as a related party. Even though it is not a member of the Commission, it does have two representative Directors on the Commission's Board.

Included in contracted and general services expenses is \$4,220 (2022 - \$4,200) to the Town of Falher for administrative services. Rental expense also relates to the Town of Falher for \$2,400 (2022 - \$2,400). Included in other revenues is \$3,600 (2022 - \$3,600) from Smoky River Water Co-operative Ltd. for booster station monitoring.

Included in accounts receivable and accounts payable and accrued liabilities as of December 31, 2023 is \$71,338 (2022 - \$73,323) and \$Nil (2022 - \$1,600), respectively.

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

9. ACCUMULATED SURPLUS

	2023	2022
Unrestricted surplus	\$ -	\$ 31,258
Restricted surplus		
Operating reserves (Note 10)	269,000	269,000
Capital reserves (Note 10)	1,340,771	1,356,312
Equity in tangible capital assets (Schedule 2)	10,846,272	10,934,396
	<u>\$ 12,456,043</u>	<u>\$ 12,590,966</u>

10. RESTRICTED SURPLUS

	2023	2022
Operating Reserves		
Operating	\$ 259,000	\$ 259,000
Insurance deductible	10,000	10,000
	<u>\$ 269,000</u>	<u>\$ 269,000</u>
Capital Reserves		
Capital replacement	\$ 1,259,135	\$ 1,274,676
Vehicle replacement	81,636	81,636
	<u>\$ 1,340,771</u>	<u>\$ 1,356,312</u>

11. BUDGET FIGURES

	2023 (Budget)	2023 (Actual)
Annual surplus (deficit)	\$ 184,358	\$ (134,923)
Amortization of tangible capital assets	-	359,556
Repayment of long-term debt	(139,406)	(139,406)
Net transfers to reserves	(44,952)	15,541
Results of operations	<u>\$ -</u>	<u>\$ 100,768</u>

The budget data presented in these financial statements is based on the operating and capital budgets approved by the Members of the Board on December 5, 2022. The chart above reconciles the approved financial plan to the figures reported in these financial statements.

SMOKY RIVER REGIONAL WATER MANAGEMENT COMMISSION

Notes to Financial Statements

For the Year Ended December 31, 2023

12. FINANCIAL INSTRUMENTS

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

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

13. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Members of the Board and management.
