VILLAGE OF KITSCOTY

Financial Statements

For the Year Ended December 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The elected Mayor and Council of the Village of Kitscoty are composed entirely of individuals who are neither management nor employees of the Village. The Mayor and Council have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Mayor and Council are also responsible for the appointment of the Village's external auditors.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by the Village's Council to express an opinion on the Village's financial statements and report directly to them. The external auditors have full and free access to and meet periodically and separately with both the Mayor and Council and management to discuss their audit findings.

VILLAGE OF KITSCOTY
Alberta
Inc. 1911

Mr. Jason Olson, CLGM
Chief Administrative Officer

Kitscoty, Alberta
April 7, 2026

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Village of Kitscoty

Opinion

We have audited the financial statements of Village of Kitscoty (the "Village"), which comprise the statement of financial position as at December 31, 2025, 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 Village as at December 31, 2025, and the results of its operations 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 Village in accordance with ethical requirements that are relevant to our audit of the 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 Village'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 Village or to cease operations, or has no realistic alternative but to do so.

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

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.

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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 Village'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 Village'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 Village 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 7, 2026

VILLAGE OF KITSCOTY
Statement of Financial Position
As at December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash	**$ 3,740,857**	$ 3,403,892
Taxes and grants in place of taxes *(Note 2)*	**215,978**	123,701
Trade and other receivables *(Note 3)*	**182,039**	152,257
Land held for resale	**424,092**	424,092
Investments	**156**	156
	4,563,122	4,104,098
LIABILITIES		
Accounts payable and accrued liabilities *(Note 5)*	**192,957**	121,715
Deposit liabilities	**51,333**	49,521
Deferred revenue *(Note 6)*	**409,364**	294,954
Asset retirement obligation *(Note 7)*	**177,717**	169,416
	831,371	635,606
NET FINANCIAL ASSETS	**3,731,751**	3,468,492
NON-FINANCIAL ASSETS		
Tangible capital assets(*Schedule 3*)	**9,447,800**	9,150,144
Prepaid expenses	**4,662**	6,517
	9,452,462	9,156,661
ACCUMULATED SURPLUS	**$ 13,184,213**	$ 12,625,153

CONTINGENT LIABILITIES *(Note 13)*

ON BEHALF OF COUNCIL

Mayor

Councillor

VILLAGE OF KITSCOTY
Alberta
Inc. 1911

VILLAGE OF KITSCOTY
Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2025

	2025 (Budget) (Note 15)	**2025 (Actual)**	2024 (Actual)
REVENUE			
Net municipal taxes *(Schedule 1)*	$ 881,276	**$ 877,023**	$ 861,161
User fees and sales of goods	604,450	**623,508**	600,158
Government transfers for operating *(Schedule 2)*	159,124	**160,264**	162,364
Other	41,250	**153,052**	125,176
Franchise and concession contracts *(Note 11)*	145,000	**134,464**	124,121
Investment income	125,000	**87,483**	154,890
Penalties and costs on taxes	50,000	**34,360**	36,283
Rentals	24,885	**12,520**	24,811
Licenses and permits	2,601	**2,173**	1,250
	2,033,586	**2,084,847**	2,090,214
EXPENSES			
Roads, streets, walks and lighting	351,455	**717,410**	671,399
Administration and legislative	514,850	**507,128**	449,864
Water supply and distribution	393,355	**427,507**	307,480
Fire protection and safety services	123,743	**194,395**	168,686
Waste management	120,563	**109,766**	125,142
Wastewater treatment and disposal	57,638	**104,425**	110,750
Parks and recreation	58,280	**97,458**	122,274
Family and community support	32,108	**34,167**	34,430
Culture	18,729	**20,315**	16,621
Bylaw enforcement	12,500	**8,772**	11,664
Cemeteries	10,155	**7,466**	8,318
Land use planning, zoning and development	30,000	**6,185**	570
	1,723,376	**2,234,994**	2,027,198
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	310,210	**(150,147)**	63,016
OTHER INCOME			
Government transfers for capital *(Schedule 2)*	-	**662,910**	298,767
Gain (loss) on disposal of tangible capital assets	-	**46,297**	(1,775)
	-	**709,207**	296,992
ANNUAL SURPLUS	310,210	**559,060**	360,008
ACCUMULATED SURPLUS - BEGINNING OF YEAR	12,625,153	**12,625,153**	12,265,145
ACCUMULATED SURPLUS - END OF YEAR	$ 12,935,363	**$ 13,184,213**	$ 12,625,153

VILLAGE OF KITSCOTY
Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2025

	2025 (Budget) (Note 15)	**2025 (Actual)**	2024 (Actual)
ANNUAL SURPLUS	$ 310,210	**$ 559,060**	$ 360,008
Amortization of tangible capital assets	-	**502,738**	501,251
Purchase of tangible capital assets	(1,336,100)	**(1,006,709)**	(966,688)
Proceeds on disposal of tangible capital assets	-	**252,612**	56,583
Loss (gain) on disposal of assets	-	**(46,297)**	1,775
	(1,336,100)	**(297,656)**	(407,079)
Decrease (increase) in prepaid expenses	-	**1,855**	(239)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(1,025,890)	**263,259**	(47,310)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	3,468,492	**3,468,492**	3,515,802
NET FINANCIAL ASSETS - END OF YEAR	$ 2,442,602	**$ 3,731,751**	$ 3,468,492

VILLAGE OF KITSCOTY
Statement of Cash Flows
For the Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual surplus	**$ 559,060**	$ 360,008
Items not affecting cash:		
Amortization of tangible capital assets	**502,738**	501,251
Asset retirement obligations accretion	**8,301**	7,914
Loss (gain) on disposal of tangible capital assets	**(46,297)**	1,775
	1,023,802	870,948
Changes in non-cash working capital:		
Taxes and grants in place of taxes	**(92,277)**	31,269
Trade and other receivables	**(29,782)**	255,402
Prepaid expenses	**1,855**	(239)
Accounts payable and accrued liabilities	**71,242**	9,650
Deposit liabilities	**1,812**	482
Deferred revenue	**114,410**	(60,947)
	67,260	235,617
	1,091,062	1,106,565
INVESTING ACTIVITIES		
Purchase of tangible capital assets	**(1,006,709)**	(966,688)
Proceeds on disposal of tangible capital assets	**252,612**	56,583
	(754,097)	(910,105)
INCREASE IN CASH FLOWS	**336,965**	196,460
CASH - BEGINNING OF YEAR	**3,403,892**	3,207,432
CASH - END OF YEAR	**$ 3,740,857**	$ 3,403,892

VILLAGE OF KITSCOTY
Schedule of Property Taxes Levied (Schedule 1)
For the Year Ended December 31, 2025

	2025 (Budget) (Note 15)	**2025 (Actual)**	2024 (Actual)
TAXATION			
Real property taxes	$ 1,084,217	**$ 1,074,929**	$ 1,044,178
Linear property taxes	49,943	**49,219**	48,975
Government grants in place of property taxes	-	**5,759**	5,800
	1,134,160	**1,129,907**	1,098,953
REQUISITIONS			
Alberta School Foundation Fund	252,884	**252,884**	237,792
NET MUNICIPAL TAXES	$ 881,276	**$ 877,023**	$ 861,161

Schedule of Government Transfers (Schedule 2)

For the Year Ended December 31, 2025

	2025 (Budget) (Note 15)	**2025 (Actual)**	2024 (Actual)
TRANSFER FOR OPERATING			
Provincial government	$ 159,124	**$ 160,264**	$ 160,264
Federal government	-	**-**	2,100
	159,124	**160,264**	162,364
TRANSFER FOR CAPITAL			
Provincial government	-	**662,910**	298,767
TOTAL GOVERNMENT TRANSFERS	$ 159,124	**$ 823,174**	$ 461,131

VILLAGE OF KITSCOTY

Schedule of Tangible Capital Assets **(Schedule 3)**

For the Year Ended December 31, 2025

	Land	Land Improvements	Buildings	Machinery & Equipment	Vehicles	Engineered Structures	Construction in Progress	**2025**	2024
Cost									
Balance, beginning of year	$ 724,457	$ 995,396	$ 2,561,631	$ 1,322,525	$ 687,256	$ 9,126,601	$ 61,975	**$ 15,479,841**	$ 14,826,568
Additions	-	13,740	46,357	547,715	62,987	96,870	239,040	**1,006,709**	966,688
Disposals	-	-	(5,488)	(368,058)	(31,059)	(579)	-	**(405,184)**	(313,415)
Transfers	-	-	-	-	128,437	-	(128,437)	**-**	-
Balance, end of year	$ 724,457	$ 1,009,136	$ 2,602,500	$ 1,502,182	$ 847,621	$ 9,222,892	$ 172,578	**$ 16,081,366**	$ 15,479,841
Accumulated Amortization									
Balance, beginning of year	$ -	$ 599,970	$ 1,427,469	$ 576,768	$ 479,372	$ 3,246,118	$ -	**$ 6,329,697**	$ 6,083,503
Amortization	-	49,978	52,910	97,410	69,096	233,344	-	**502,738**	501,251
Disposals	-	-	(3,952)	(181,718)	(12,649)	(550)	-	**(198,869)**	(255,057)
Balance, end of year	$ -	$ 649,948	$ 1,476,427	$ 492,460	$ 535,819	$ 3,478,912	$ -	**$ 6,633,566**	$ 6,329,697
Net Book Value	$ 724,457	$ 359,188	$ 1,126,073	$ 1,009,722	$ 311,802	$ 5,743,980	$ 172,578	**$ 9,447,800**	$ 9,150,144

VILLAGE OF KITSCOTY

Schedule of Equity in Tangible Capital Assets **(Schedule 4)**

For the Year Ended December 31, 2025

	2025	2024
BALANCE, BEGINNING OF YEAR	**$ 8,980,728**	$ 8,581,563
Amortization of tangible capital assets	**(502,738)**	(501,251)
Acquisition of tangible capital assets	**1,006,709**	966,688
Net book value of tangible capital assets disposed of	**(206,315)**	(58,358)
Asset retirement obligation accretion	**(8,301)**	(7,914)
BALANCE, END OF YEAR	**$ 9,270,083**	$ 8,980,728

Equity in tangible capital assets is comprised of the following:		
Tangible capital assets (net book value)	**$ 9,447,800**	$ 9,150,144
Asset retirement obligations	**(177,717)**	(169,416)
	$ 9,270,083	$ 8,980,728

	General Government	Protective Services	Transportation Services	Environmental Services	Recreation and Culture	All Other	**2025**	2024
REVENUE								
Net municipal taxes	$ 877,023	$ -	$ -	$ -	$ -	$ -	**$ 877,023**	$ 861,161
Government transfers	796,692	-	-	-	-	26,482	**823,174**	461,131
Sales and user charges	1,088	-	-	620,665	-	1,755	**623,508**	600,158
Other revenues	122,615	65,720	-	3,566	8,834	1,370	**202,105**	187,520
Franchise and concession contracts	134,464	-	-	-	-	-	**134,464**	124,121
Investment income	87,483	-	-	-	-	-	**87,483**	154,890
	2,019,365	65,720	-	624,231	8,834	29,607	**2,747,757**	2,388,981
EXPENSES								
Contracted services	214,742	26,053	159,598	184,496	9,166	12,578	**606,633**	446,598
Materials, goods and supplies	25,556	44,067	128,858	367,212	11,184	-	**576,877**	567,195
Salaries, wages and benefits	246,896	3,464	141,300	14,099	9,809	6,318	**421,886**	378,157
Transfers to local boards and agencies	-	52,170	-	-	38,035	26,768	**116,973**	123,819
Accretion expense	1,698	-	-	-	5,539	1,064	**8,301**	7,914
Other expenses (recovery)	1,687	-	-	(101)	-	-	**1,586**	2,264
	490,579	125,754	429,756	565,706	73,733	46,728	**1,732,256**	1,525,947
OTHER INCOME (EXPENSES)								
Amortization of tangible capital assets	(16,549)	(77,413)	(287,654)	(75,992)	(44,040)	(1,090)	**(502,738)**	(501,251)
Gain (loss) on disposal of tangible capital assets	55,685	-	(9,388)	-	-	-	**46,297**	(1,775)
	39,136	(77,413)	(297,042)	(75,992)	(44,040)	(1,090)	**(456,441)**	(503,026)
ANNUAL SURPLUS (DEFICIT)	$ 1,567,922	$ (137,447)	$ (726,798)	$ (17,467)	$ (108,939)	$ (18,211)	**$ 559,060**	$ 360,008

The accompanying notes are an integral part of these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Kitscoty (the "Village") are the representation of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Village are as follows.

(a) Reporting entity

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

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

(b) 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.

(c) Tax revenue

Property tax revenue is based on market value of assessments determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

(d) Requisition over-levies and under-levies

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. In situations 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.

(e) Government transfers

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

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

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Pension expenses

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

(g) Investments

Investments are recorded at 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.

(h) Land held for resale

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

(i) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement tangible capital assets. Asset retirement activities include all activities related to an asset retirement obligation. These may include, but are not limited to:

- Decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- Remediation of contamination of a tangible capital asset created by its normal use;
- Post-retirement activities such as monitoring; and
- Constructing other tangible capital assets to perform post-retirement activities.

Asset retirement obligations are initially measured at the later of the date of acquisition or legislative obligation. When a liability for an asset retirement obligation is recognized, the asset retirement costs are added to the carrying amount of the related tangible capital asset in productive use and are amortized over the estimated useful life of the related tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed.

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability. When the future retirement date is known, a present value technique is used to measure the liability. Subsequent to the initial measurement, the asset retirement obligation is adjusted to reflect the passage of time and changes in the estimated future cash flows underlying the obligation and is recognized as an accretion expense in the statement of operations.

(j) 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 change in net financial assets for the year.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) 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 asset is amortized over their estimated useful lives on a straight-line basis at the following rates:

Land improvements	15 - 25 Years
Buildings	25 - 50 Years
Machinery and equipment	5 - 20 Years
Vehicles	10 - 25 Years
Engineered structures	
Other engineered systems	35 - 50 Years
Water system	45 - 75 Years
Wastewater system	35 - 75 Years

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

A full year's amortization is charged in the year an asset is acquired, and no amortization is charged in the year of disposal. Assets under construction are not amortized until they are available for productive use.

(l) 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, 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 these estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, contaminated sites, future cash flows associated with asset retirement obligations, and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements

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1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Future changes in significant accounting policies

The following summarizes upcoming changes to the Canadian public sector accounting standards. The Village will continue to assess the impact and prepare for the adoption of these standards

(i) Financial Statement Presentations

PS 1202, Financial Statement Presentation, sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement principles are based on the concepts in the Conceptual Framework for Financial Reporting in the Public Sector. This standard is applicable to fiscal years beginning on or after April 1, 2026.

(ii) The Conceptual Framework for Financial Reporting

The PSAB's framework replaces the conceptual aspects of PS 1000 – Financial Statement Concepts, and PS 1100 – Financial Statement Objectives. This standard is applicable to fiscal years beginning on or after April 1, 2026.

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2025	2024
Current taxes and grants in lieu of taxes	**$ 156,403**	$ 117,206
Arrears taxes receivable	**59,575**	6,495
	$ 215,978	$ 123,701

3. TRADE AND OTHER RECEIVABLES

	2025	2024
Goods and Services Tax recoverable	**$ 97,422**	$ 85,034
Trade receivables	**84,617**	67,223
	$ 182,039	$ 152,257

4. OPERATING LINE OF CREDIT

The Village has a revolving demand credit facility with ATB Financial that can drawn upon to a maximum of $1,000,000. The facility bears interest at prime plus 1.00% per annum and is secured by a promissory note. As at December 31, 2025 no amounts had been drawn on the facility (2024 - $NIL).

The Village has access to borrow from Alberta Municipal Services Corporation a total of $30,000 by way of a Bank of Montreal Business Mastercard, repayable upon demand at a rate of interest per annum not to exceed 19.5% and is unsecured.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trades and other accrued liabilities	$ **123,850**	$ 47,886
Payable to other governments	**58,161**	65,058
Employee benefit obligation	**10,946**	8,771
	$ **192,957**	$ 121,715

Employee benefit obligation is comprised of the vacation and sick time that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

6. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts, which have been received from various third parties and are restricted to the eligible operating and capital projects as approved in the funding agreements for a specified purpose. Additions are composed of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	2024	Funding Received	Revenue Recognized	2025
Local Government Fiscal Framework	$ -	$ 672,241	$ (433,214)	$ **239,027**
Canada Community Building Fund	205,780	109,040	(179,276)	**135,544**
Other deferred revenue	38,754	34,793	(38,754)	**34,793**
Alberta Community Partnership	50,420	-	(50,420)	**-**
	$ 294,954	$ 816,074	$ (701,664)	$ **409,364**

7. ASSET RETIREMENT OBLIGATIONS

Tangible capital assets with associated retirement obligations include buildings.

The Village has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the Village to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the Village to remove the materials when the asset retirement activities occur.

	2025	2024
Balance, beginning of year	**$ 169,416**	$ 161,502
Net change in the year		
Accretion expense	**8,301**	7,914
Balance, end of year	**$ 177,717**	$ 169,416

Asset retirement obligations of $177,717 (2024 - $169,416) was measured using present value technique. The present value was calculated using estimated total undiscounted cash flows amounting to $279,000 (2024 - $279,000), a discount rate of 4.90% (2024 - 4.90%), with retirement and reclamation activities expected to be settled between 2038 and 2063.

8. DEBT LIMITS

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

	2025	2024
Total debt limit	**$ 3,127,271**	$ 3,135,321
Total debt	**-**	-
Amount of debt limit unused	**$ 3,127,271**	$ 3,135,321
Debt servicing limit	**$ 521,212**	$ 522,554
Debt servicing	**-**	-
Amount of service on debt limit unused	**$ 521,212**	$ 522,554

The debt limit is calculated at 1.5 times revenue of the Village (as defined in *Alberta Regulation 255/2000*) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Village. Rather, the financial statements must be interpreted as a whole.

9. ACCUMULATED SURPLUS

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

	2025	2024
Unrestricted	**$ 2,523,695**	$ 2,169,366
Reserves		
Infrastructure stabilization reserve	**479,904**	479,904
General administration reserve	**311,787**	317,706
Water capital reserve	**283,292**	337,534
Fire capital equipment reserve	**244,849**	283,112
Road capital reserve	**22,722**	8,922
Parks and trail reserve	**14,396**	14,396
Fire capital reserve	**12,138**	12,138
Road maintenance reserve	**8,263**	8,263
Recycle reserve	**6,668**	6,668
Celebration legacy fund	**6,416**	6,416
	1,390,435	1,475,059
Equity in tangible capital assets *(Schedule 4)*	**9,270,083**	8,980,728
	$ 13,184,213	$ 12,625,153

10. FUNDS HELD IN TRUST

The Village administers the following trust funds on behalf of third parties. As related trust assets are not owned by the Village, the trusts have been excluded from the financial statements.

	2025	2024
Tax sale surplus	**$ 15,788**	$ 61,163

11. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of utility franchise agreement annual revenues as required by *Alberta Regulation 313/2000* is as follows:

	2025	2024
ATCO Electric	**$ 90,362**	$ 85,525
ATCO Gas	**44,102**	38,596
	$ 134,464	$ 124,121

12. DEFINED CONTRIBUTION SAVINGS PLAN

Employees of the Village are required to participate in the Village's Defined Contribution Savings Plan (the "Plan") upon successful completion of their probationary period. Employees may choose the percentage of their wage to contribute to the Plan, which will be matched by the Village, up to the maximum percentage based on each employees length of service. Contribution rates range between 5% - 7%.

Contributions for current service are recorded as expenditures in the year in which they become due.

Current service contributions to the Plan made by the Village totaled $12,800 (2024 - $11,539).

13. CONTINGENT LIABILITIES

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

The Village is a respondent to a matter arising in the normal course of operations. Based on information currently available, management does not expect the resolution of this matter to have a material effect on the financial position of the Village. Accordingly, no liability has been recorded in these financial statements. Any amounts that may become payable will be recognized as the matter is resolved or when sufficient information on amounts and likelihood are known.

14. FINANCIAL RISK MANAGEMENT

The Village's financial instruments consist of cash, taxes and grants in place of taxes receivable, trade and other receivables, accounts payable and accrued liabilities, and deposit liabilities. It is management's opinion that the Village is not exposed to significant market, liquidity and currency risk arising from these financial instruments.

The Village is exposed to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Village provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

The Village is exposed to interest rate risk with respect to the operating line of credit. Interest rate risk arises from interest rate fluctuations through its variable interest line of credit. As at December 31, 2025, no balance was drawn on the operating line of credit.

Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

15. BUDGET

Budget figures presented in these financial statements are based on the 2025 operating and capital budgets adopted by Council on April 7, 2025.

16. APPROVAL OF THE FINANCIAL STATEMENTS

Council and management have approved these financial statements on April 7, 2026.

17. SEGMENTED DISCLOSURE

The Village provides a range of services to its taxpayers. For each reported segment, revenues and expenses 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.

(a) General Government

General Government is comprised of Village Council, the Office of the Chief Administrative Officer, and Corporate Services. Corporate Services is comprised of Financial Services and Human Resources.

Council makes decisions regarding service delivery and service levels on behalf of the Village in order to balance the needs and wants of Village residents in a financial responsible manager.

(b) Protective Services

Protective Services is comprised of Fire and Municipal Enforcement Services. Fire Services is responsible to provide fire suppression services; fire prevention programs; training and education related to fire prevention; and the detection and/or extinguishments of fires. Municipal Enforcement Services provide bylaw enforcement that ranges from community standards, to traffic safety, to animal control as well as provincial statue enforcement with authorities granted by the Solicitor General of Alberta.

(c) Transportation

Transportation is comprised of Common Services and the Public Works area. They are responsible for the maintenance of the roadway and storm systems of the Village.

(d) Environment Services

Environmental Services are comprised of water, waste water, and waste management services. They are responsible for providing a water supply, a sanitary sewage collection and disposal system, and a waste disposal service.

(g) Recreation and Culture

Recreation and Culture provide recreational and cultural services and activities which promote the well-being of its citizens. These areas are responsible for the parks, playgrounds, facilities, and green spaces of the Village. This area also acts as a liaison between community groups and providing grant funding.

(e) All Other

All Other includes cemetery maintenance and public health. Public health provides services mandated by Family and Community Support Services Alberta through a shared funding model between the Province of Alberta and the Village.

Certain allocation methodologies are employed in the preparation of segmented financial information. Net municipal taxes are unallocated to segments and are presented under General Revenue. Sales and user charges have been allocated to the segment based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. For additional information see the Schedule of Segmented Disclosure (Schedule 5).

18. SALARIES AND BENEFITS DISCLOSURE

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

	Salary (1)	Benefits (2)	**2025**	2024
Mayor J. Bell	$ 9,000	$ 378	**$ 9,378**	$ 9,378
Deputy Mayor K. Miciak	6,175	227	**6,402**	6,835
Councillor G. Barr	6,600	235	**6,835**	6,835
Councillor D. Frank	6,600	235	**6,835**	6,835
Councillor H. Perryman	1,100	31	**1,131**	-
Councillor D. Roth	6,075	48	**6,123**	8,148
	$ 35,550	$ 1,154	**$ 36,704**	$ 38,031
Chief Administrative Officer	$ 102,957	$ 12,146	**$ 115,103**	$ 107,216
Designated Officer	11,115	-	**11,115**	11,713
	$ 114,072	$ 12,146	**$ 126,218**	$ 118,929

(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 health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.

19. COMPARATIVE FIGURES

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