TOWN OF MORINVILLE

Consolidated Financial Statements

For the Year Ended December 31, 2025

METRIX GROUP LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Town of Morinville

Opinion

We have audited the consolidated financial statements of the Town of Morinville (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net (debt) financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2025, and the results of its operations, changes in net (debt) financial assets, remeasurement gains and losses and its 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 Consolidated Financial Statements* section of our report. We are independent of the Town in accordance with the 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 those 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 Canadian public sector accounting standards, 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 Town's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Council) are responsible for overseeing the Town's financial reporting process.

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Auditors' 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 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 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 one for resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, 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 Town'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 Town'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 Town 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 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 28, 2026

TOWN OF MORINVILLE

Consolidated Statement of Financial Position

As At December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	**$ 7,721,940**	$ 7,764,592
Accounts receivable (Note 3)	**2,283,711**	2,400,729
Investments (Note 4)	**8,336,408**	4,049,768
Loan receivable	**-**	498,123
	$ 18,342,059	$ 14,713,212
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	**$ 2,404,449**	$ 2,696,244
Deposit liabilities	**742,788**	577,302
Deferred revenue (Note 6)	**1,347,383**	688,717
Asset retirement obligation (Note 7)	**273,379**	260,187
Long-term debt (Note 8)	**15,044,593**	16,141,520
	19,812,592	20,363,970
NET DEBT	**(1,470,533)**	(5,650,758)
NON-FINANCIAL ASSETS		
Prepaid expenses	**181,166**	95,859
Tangible Capital Assets (Schedule 1)	**135,985,960**	138,386,847
	136,167,126	138,482,706
ACCUMULATED SURPLUS (Note 10)	**$134,696,593**	$132,831,948

Accumulated Surplus is comprised of:		
Accumulated surplus from operations	**134,591,478**	132,773,771
Accumulated remeasurement gains and (losses)	**105,115**	58,177
	$134,696,593	$132,831,948

CONTINGENCIES (Note 13)

ON BEHALF OF TOWN COUNCIL:

_________________________ *Mayor*

_________________________ *Deputy Mayor*

TOWN OF MORINVILLE

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2025

	Budget 2025 (Note 18)	**Actual 2025**	Actual 2024
REVENUE			
Net taxation (Schedule 2)	$ 14,677,037	**$ 14,360,874**	$ 13,015,509
Wastewater and storm fees	3,747,128	**3,809,061**	3,467,356
Water fees	3,373,091	**3,496,381**	3,388,457
Franchise fees (Note 14)	2,181,773	**2,132,689**	2,108,440
Government transfers for operating (Schedule 3)	1,925,904	**1,872,174**	1,849,997
Sales to other governments	1,255,673	**1,199,672**	1,062,431
Solid waste fees	920,555	**885,791**	972,630
Offsite levies	-	**852,738**	230,729
Rentals	599,292	**777,021**	684,373
Investment income	450,000	**552,418**	516,775
Other	261,492	**400,315**	225,507
Development fees and permits	203,500	**364,139**	447,062
Penalties and fines	320,500	**310,000**	294,063
Sales and user charges	184,534	**227,409**	188,450
	30,100,479	**31,240,682**	28,451,779
EXPENSES			
General administration	7,049,153	**6,825,311**	6,630,222
Parks and recreation	6,007,605	**5,631,429**	5,286,804
Public works	5,786,774	**5,520,791**	4,805,887
Protective services	4,383,243	**4,033,224**	3,740,880
Water	3,296,245	**3,259,353**	2,803,441
Wastewater and storm	3,555,209	**2,777,752**	2,721,586
Solid waste	1,135,959	**1,095,533**	1,190,666
Library	822,839	**790,373**	819,183
Family and community support services	613,273	**616,419**	519,601
Planning and development	632,741	**557,779**	607,832
Council and legislative	621,217	**498,784**	429,104
	33,904,258	**31,606,748**	29,555,206
ANNUAL DEFICIT BEFORE OTHER ITEMS	(3,803,779)	**(366,066)**	(1,103,427)
OTHER ITEMS			
Government transfers for capital (Schedule 3)	-	**1,860,095**	2,017,092
Gain on disposal of tangible capital assets	-	**323,678**	32,600
Contributed tangible capital assets	-	**-**	55,000
	-	**2,183,773**	2,104,692
ANNUAL SURPLUS (DEFICIT)	(3,803,779)	**1,817,707**	1,001,265
ACCUMULATED SURPLUS, BEGINNING OF YEAR	132,773,771	**132,773,771**	131,772,506
ACCUMULATED SURPLUS, END OF YEAR	$128,969,992	**$134,591,478**	$132,773,771

TOWN OF MORINVILLE

Consolidated Statement of Remeasurement Gains and Losses

For the Year Ended December 31, 2025

	2025	2024
ACCUMULATED REMEASUREMENT GAINS (LOSSES) - BEGINNING OF YEAR	**$ 58,177**	$ -
Amounts reclassified to consolidated statement of operations		
Designated at fair value	**(58,177)**	-
Unrealized gains (losses) attributable to:		
Designated at fair value	**105,115**	58,177
Net remeasurement gain (loss) for the year	**46,938**	58,177
ACCUMULATED REMEASUREMENT GAINS (LOSSES) - END OF YEAR	**$ 105,115**	**$ 58,177**

TOWN OF MORINVILLE

Consolidated Statement of Changes in Net (Debt) Financial Assets

For the Year Ended December 31, 2025

	Budget 2025 (Note 18)	**Actual 2025**	Actual 2024
ANNUAL SURPLUS (DEFICIT)	$ (3,803,779)	$ **1,817,707**	$ 1,001,265
Purchase of tangible capital assets	(4,323,450)	**(3,240,297)**	(3,659,954)
Contributed tangible capital assets	-	-	(55,000)
Proceeds on disposal of tangible capital assets	-	**379,901**	32,600
Amortization of tangible capital assets	5,548,572	**5,584,961**	5,520,686
Change in accumulated remeasurement gains (losses)	-	**46,938**	58,177
Gain on disposal of tangible capital assets	-	**(323,678)**	(32,600)
	1,225,122	**2,447,825**	1,863,909
Use (acquisition) of prepaid expenses	-	**(85,307)**	18,759
(INCREASE) DECREASE IN NET DEBT	(2,578,657)	**4,180,225**	2,883,933
NET DEBT, BEGINNING OF YEAR	(5,650,758)	**(5,650,758)**	(8,534,691)
NET DEBT, END OF YEAR	$ (8,229,415)	$ **(1,470,533)**	$ (5,650,758)

TOWN OF MORINVILLE

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual surplus (deficit)	**$ 1,817,707**	$ 1,001,265
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	**5,584,961**	5,520,686
Contributed tangible capital assets	**-**	(55,000)
Amortization of net investment premiums	**23,965**	10,467
Gain on disposal of tangible capital assets	**(323,678)**	(32,600)
	7,102,955	6,444,818
Change in non-cash working capital balances:		
Accounts receivable	**117,018**	(806,213)
Loan receivable	**498,123**	150,000
Prepaid expenses	**(85,307)**	18,759
Asset retirement obligations	**13,192**	12,569
Accounts payable and accrued liabilities	**(291,795)**	208,077
Deposit liabilities	**165,486**	141,600
Deferred revenue	**658,666**	417,833
	1,075,383	142,625
	8,178,338	6,587,443
FINANCING ACTIVITIES		
Long-term debt principal repayments	**(1,096,927)**	(1,065,894)
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	**(3,240,297)**	(3,659,954)
Proceeds on disposal of tangible capital assets	**379,901**	32,600
Change in investments	**(4,263,667)**	(4,002,058)
	(7,124,063)	(7,629,412)
CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	**(42,652)**	(2,107,863)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**7,764,592**	9,872,455
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2)	**$ 7,721,940**	$ 7,764,592

TOWN OF MORINVILLE **Schedule 1**

Consolidated Schedule of Tangible Capital Assets

For the Year Ended December 31, 2025

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	**2025**	2024
COST:								
Balance, Beginning of Year	$ 12,922,120	$ 14,743,785	$ 42,695,736	$ 184,987,129	$ 8,555,085	$ 4,744,341	**$ 268,648,196**	$ 265,066,896
Acquisition of tangible capital assets	-	307,747	15,745	2,009,092	529,695	378,018	**3,240,297**	3,659,954
Contributed tangible capital assets	-	-	-	-	-	-	**-**	55,000
Disposal of tangible capital assets	-	-	-	-	(603,281)	(422,696)	**(1,025,977)**	(133,654)
Balance, End of Year	12,922,120	15,051,532	42,711,481	186,996,221	8,481,499	4,699,663	**270,862,516**	268,648,196
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	6,389,634	13,606,113	102,243,289	5,315,863	2,706,450	**130,261,349**	124,874,317
Annual amortization	-	627,528	1,084,968	3,149,550	442,737	280,178	**5,584,961**	5,520,686
Accumulated amortization on disposals	-	-	-	-	(603,281)	(366,473)	**(969,754)**	(133,654)
Balance, End of Year	-	7,017,162	14,691,081	105,392,839	5,155,319	2,620,155	**134,876,556**	130,261,349
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	**$ 12,922,120**	**$ 8,034,370**	**$ 28,020,400**	**$ 81,603,382**	**$ 3,326,180**	**$ 2,079,508**	**$ 135,985,960**	**$ 138,386,847**

The cost of tangible capital assets included $398,827 (2024 - $977,586) of work in progress for which no amortization has been provided.

TOWN OF MORINVILLE **Schedule 2**

Consolidated Schedule of Property Taxes

For the Year Ended December 31, 2025

	Budget 2025 (Note 18)	**Actual 2025**	Actual 2024
TAXATION			
Real property taxes	$ 18,529,063	**$ 18,470,159**	$ 16,702,137
Linear and industrial property taxes	123,459	**175,375**	175,375
Supplementary taxes	-	**87,815**	35,824
Government grants in place of property taxes	71,881	**17,425**	17,425
Designated industrial property taxes	-	**971**	971
	18,724,403	**18,751,745**	16,931,732
DEDUCT:			
Education	3,923,216	**4,261,577**	3,791,484
Seniors Foundation	123,046	**128,284**	123,657
Designated industrial property	1,104	**1,010**	1,082
	4,047,366	**4,390,871**	3,916,223
NET MUNICIPAL PROPERTY TAXES	$ 14,677,037	**$ 14,360,874**	$ 13,015,509

TOWN OF MORINVILLE

Schedule 3

Consolidated Schedule of Government Transfers

For the Year Ended December 31, 2025

	Budget 2025 (Note 18)	**Actual 2025**	Actual 2024
GOVERNMENT TRANSFERS FOR OPERATING			
Local governments	$ 1,036,820	**$ 970,601**	$ 952,133
Provincial	859,084	**865,873**	866,364
Federal	30,000	**35,700**	31,500
	1,925,904	**1,872,174**	1,849,997
GOVERNMENT TRANSFERS FOR CAPITAL			
Provincial	-	**1,810,095**	1,814,225
Local	-	**50,000**	50,000
Federal	-	**-**	152,867
	-	**1,860,095**	2,017,092
	$ 1,925,904	**$ 3,732,269**	$ 3,867,089

TOWN OF MORINVILLE **Schedule 4**

Consolidated Schedule of Segmented Information

For the Year Ended December 31, 2025

	General Administration	Protective Services	Parks and Recreation	Public Works	Water, Wastewater and Solid Waste	Planning and Development	Other	Total
REVENUE								
Net taxation	$ 5,591,030	$ 3,199,448	$ 3,978,911	$ -	$ -	$ 294,762	$ 1,296,723	$ **14,360,874**
Water, wastewater, storm and solid waste fees	-	-	-	-	8,191,233	-	-	**8,191,233**
Franchise fees	2,132,689	-	-	-	-	-	-	**2,132,689**
Government transfers	-	418,780	1,058,481	-	-	-	394,913	**1,872,174**
Sales to other governments	120,167	453,786	-	-	607,223	10,394	8,102	**1,199,672**
Offsite levies	852,738	-	-	-	-	-	-	**852,738**
Rentals	141,609	150	635,262	-	-	-	-	**777,021**
Investment income	552,418	-	-	-	-	-	-	**552,418**
Other	290,626	30,881	15,222	4,619	-	4,692	54,275	**400,315**
Development fees and permits	-	7,881	-	-	-	356,258	-	**364,139**
Penalties and fines	212,087	61,247	-	-	31,371	-	5,295	**310,000**
Sales and user charges	44,605	-	18,529	-	-	1,882	162,393	**227,409**
	9,937,969	4,172,173	5,706,405	4,619	8,829,827	667,988	1,921,701	**31,240,682**
EXPENSES								
Salaries, wages and benefits	4,176,595	1,875,359	2,406,806	1,282,862	1,087,838	397,233	1,456,952	**12,683,645**
Contracted and general services	1,709,985	1,665,509	406,640	883,913	911,186	142,986	67,267	**5,787,486**
Materials, goods and utilities	488,914	229,573	790,988	1,337,398	647,527	17,560	268,642	**3,780,602**
Purchases from other governments	-	-	-	-	2,943,564	-	-	**2,943,564**
Interest on long-term debt	12,822	-	445,664	-	-	-	-	**458,486**
Transfers to governments	116,903	10,385	51,692	-	-	-	112,715	**291,695**
Bank charges and short-term interest	36,949	-	-	-	-	-	-	**36,949**
Other expenses	24,410	-	-	-	1,758	-	-	**26,168**
Amortization of tangible capital assets	258,733	246,896	1,529,639	2,008,928	1,540,765	-	-	**5,584,961**
Accretion expense	-	5,502	-	7,690	-	-	-	**13,192**
	6,825,311	4,033,224	5,631,429	5,520,791	7,132,638	557,779	1,905,576	**31,606,748**
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	**$ 3,112,658**	**$ 138,949**	**$ 74,976**	**$ (5,516,172)**	**$ 1,697,189**	**$ 110,209**	**$ 16,125**	**$ (366,066)**

The accompanying notes are an integral part of these financial statements.

TOWN OF MORINVILLE **Schedule 5**

Consolidated Schedule of Expenses by Object

For the Year Ended December 31, 2025

	Budget 2025 (Note 18)	**Actual 2025**	Actual 2024
Salaries, wages and benefits	$ 13,434,163	**$ 12,683,645**	$ 12,181,238
Contracted and general services	6,564,276	**5,787,486**	4,873,604
Amortization	5,548,572	**5,584,961**	5,520,686
Materials, goods and utilities	4,433,989	**3,780,602**	3,582,829
Purchases from other governments	3,124,458	**2,943,564**	2,576,984
Interest on long-term debt	458,494	**458,486**	490,433
Transfers to governments, agencies and organizations	306,272	**291,695**	274,498
Bank charges and short-term interest	16,534	**36,949**	14,209
Other expenses	17,500	**26,168**	28,156
Accretion expense	-	**13,192**	12,569
	$ 33,904,258	**$ 31,606,748**	$ 29,555,206

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of the Town of Morinville's (the "Town") management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Town are as follows:

(a) Reporting Entity

These consolidated financial statements reflect the assets, liabilities, revenue, expenses, and changes in accumulated surplus balances and cash flows of the reporting entity. The reporting entity is comprised of the municipal operations plus all organizations that are owned or controlled by the Town. Included within the reporting entity is the Town of Morinville Library Board.

(b) Basis of Accounting

The consolidated 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 and 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) Cash and Cash Equivalents

Cash and cash equivalents include 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 one year or less at acquisition.

(d) Tax Revenue

Property taxes are recognized as revenue in the year they are levied.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the Town and are recognized as revenue in the year the tax is levied.

(e) Use of Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where management uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

(f) Government Transfers

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

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Requisition of Over-Levies and Under-Levies

Over-levies and under-levies arise from the difference between the actual 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.

(h) 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 surplus, provides the change in net (debt) financial assets for the year.

i) 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:

Land improvements	10-50 years
Buildings	25-50 years
Engineered structures	20-100 years
Machinery and equipment	5-40 years
Vehicles	5-20 years

Assets under construction are not amortized until the asset is available for productive use.

ii) Contributed 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.

iii) 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.

(i) Contaminated Sites

Contaminated sites are defined as the 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 Town 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.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Valuation of Financial Assets and Liabilities*

The Town's financial assets and liabilities are measured as follows:

Financial statement component	Measurement
Cash and cash equivalents	Cost and amortized cost
Accounts receivables	Lower of cost or net recoverable value
Loans receivable	Cost
Investments	Fair value or amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Long-term debt	Amortized cost

(k) *Asset Retirement Obligations*

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability as occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying value of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

(l) *Investments*

Investments are recorded at amortized cost. Investment premiums or discounts, if any, are amortized over the term of the respective instruments. 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.

The Town holds derivatives in the form of principal protected notes which are recorded at fair value in the consolidated statement of financial position. Unrealized gains and losses from changes in the fair value of derivatives are recognized in the statement of remeasurement gains and losses. Upon settlement, the realized gains and losses are reclassified as revenue or expense in the consolidated statement of operations.

2. CASH AND CASH EQUIVALENTS

	2025	2024
Bank accounts	**$ 7,622,701**	$ 7,669,260
Servus Credit Union common shares	**96,274**	92,367
Petty cash	**2,965**	2,965
	$ 7,721,940	$ 7,764,592

3. ACCOUNTS RECEIVABLE

	2025	2024
Property taxes	$ 815,325	$ 759,952
Utilities	787,795	791,671
Trade	446,540	656,244
Goods and Services Tax	180,094	188,641
Accrued interest	83,957	34,221
	2,313,711	2,430,729
Allowance for doubtful accounts	(30,000)	(30,000)
	$ 2,283,711	$ 2,400,729

All receivables other than taxes are current. The age of taxes that are not impaired are as follows:

	2025	2024
Current	$ 2,116,433	$ 2,227,493
1 year	163,691	182,710
2 years	32,499	19,347
3 years	1,088	-
Over 3 years	-	1,179
Allowance for doubtful accounts	(30,000)	(30,000)
	$ 2,283,711	$ 2,400,729

4. INVESTMENTS

	2025		2024	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed income securities - amortized cost	$ 5,317,493	$ 5,346,246	$ 2,391,191	$ 2,434,000
Derivatives - principal protected note (b)	3,018,915	3,018,915	1,658,577	1,658,577
	$ 8,336,408	$ 8,365,161	$ 4,049,768	$ 4,092,577

The fixed income securities have effective interest rates ranging from 3.94% to 5.30% (2024 - 4.39% to 4.58%) with maturity dates from November 3, 2026 to August 29, 2035 (2024 - November 3, 2026 to August 1, 2029).

Derivative investments are carried at fair market value in which the measurements are derived from:

a) Level 1 - Quoted prices in active markets for identical assets.
b) Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Unrealized gains (losses) on derivative investments carried at fair value of $105,115 (2024 - $58,177) have been recognized in the consolidated statement of remeasurement gains and losses.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade	$ 2,061,159	$ 2,345,857
Vacation	124,740	141,280
Accrued interest on long-term debt	114,492	121,648
Government payroll remittances	93,643	77,930
Construction holdbacks	10,415	9,529
	$ 2,404,449	$ 2,696,244

6. DEFERRED REVENUE

Deferred revenue consists of the following amounts which have been restricted by third parties for a specific purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	2024	Receipts	Revenue	2025
Local Government Fiscal Framework	$ 620,988	$ 1,606,276	$ (1,068,231)	$ 1,159,033
Other	67,729	325,110	(204,489)	188,350
	$ 688,717	$ 1,931,386	$ (1,272,720)	$ 1,347,383

7. ASSET RETIREMENT OBLIGATIONS

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

	2025	2024
Balance, Beginning of Year	$ 260,187	$ 247,618
Accretion expense	13,192	12,569
	$ 273,379	$ 260,187

8. LONG-TERM DEBT

	2025	2024
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $374,750 including interest at 3.209%; due September 17, 2038.	**$ 7,915,537**	$ 8,399,352
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $199,284 including interest at 2.930%; due March 15, 2039.	**4,417,642**	4,680,971
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $92,650 including interest at 2.084%; due December 15, 2040.	**2,376,469**	2,510,149
Debenture debt held by the Government of Alberta, repayable in semi-annual installments of $114,602 including interest at 2.634%; due June 15, 2027.	**334,945**	551,048
	$ 15,044,593	$ 16,141,520

	Principal	Interest	Total
2025	$ 1,128,880	$ 433,690	$ 1,562,570
2026	1,047,177	400,791	1,447,968
2027	961,900	371,466	1,333,366
2028	990,580	342,786	1,333,366
2029	1,020,129	313,237	1,333,366
Thereafter	9,895,927	1,340,885	11,236,812
	$ 15,044,593	$ 3,202,855	$ 18,247,448

Interest on long-term debt expense amounted to $458,486 (2024 - $490,433).

The Town's total cash payments for interest amounted to $465,642 (2024 - $496,675).

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital assets (Schedule 1)	**$ 270,862,516**	$ 268,648,196
Accumulated amortization (Schedule 1)	**(134,876,556)**	(130,261,349)
Long-term debt (Note 8)	**(15,044,593)**	(16,141,520)
Asset retirement obligations (Note 7)	**(273,379)**	(260,187)
	$ 120,667,988	$ 121,985,140

10. ACCUMULATED SURPLUS

	2025	2024
Restricted surplus		
General operating reserve	**$ 1,023,274**	$ 290,568
Snow removal	**350,000**	350,000
Capital renewal projects	**10,204,765**	8,226,886
Capital growth projects	**3,223,789**	3,467,604
Library	**275,594**	280,583
Parks, recreation and culture	**321,555**	443,060
Land	**591,274**	580,796
Offsite levies - transportation	**684,199**	492,114
Offsite levies - sanitary	**336,179**	(167,736)
Offsite levies - water	**(3,188,914)**	(3,215,464)
Offsite levies - stormwater	**101,772**	40,218
	13,923,487	10,788,629
Equity in tangible capital assets (Note 9)	**120,667,988**	121,985,140
Accumulated remeasurement gains	**105,115**	58,177
	$ 134,696,593	$ 132,831,948

11. 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 Town be disclosed as follows:

	2025	2024
Total debt limit	**$ 46,861,023**	$ 42,677,669
Total debt	**(15,044,593)**	(16,141,520)
Amount of total debt limit unused	**$ 31,816,430**	$ 26,536,149
Debt servicing limit	**$ 7,810,171**	$ 7,112,945
Debt servicing	**(1,562,570)**	(1,562,570)
Amount of debt servicing limit unused	**$ 6,247,601**	$ 5,550,375

The debt limit is calculated at 1.50 times revenue of the Town (as defined in the Alberta Regulation 255/2000) and the debt service limit is calculated as 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are a conservative guideline used by Alberta Municipal Affairs to identify municipalities that could be at a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the consolidated financial statements must be interpreted as a whole.

12. SALARIES AND BENEFITS DISCLOSURE

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

	Salary (1)	Benefits (2)	**2025 Total**	2024 Total
Mayor S. Boersma	$ 72,401	$ 7,018	**$ 79,419**	$ 78,149
Councilors				
R. Balanko	35,946	8,007	**43,953**	52,119
J. Anheliger	40,399	9,455	**49,854**	48,909
S. Dafoe	34,640	7,929	**42,569**	48,368
R. White	34,578	7,926	**42,504**	47,415
M. St. Denis	39,180	9,382	**48,562**	46,567
S. Richardson	33,953	7,889	**41,842**	46,461
D. Duliba	6,278	1,548	**7,826**	-
N. Himschoot	6,278	1,544	**7,822**	-
L. Parenteau	6,528	1,558	**8,086**	-
J. Wood	6,278	1,558	**7,836**	-
Chief Administrative Officer (3)	247,628	43,797	**291,425**	455,652
Designated Officers	353,124	71,908	**425,032**	378,538

(1) Salary includes regular base pay, per diem payments and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of the employee benefits and contributions made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.

(3) Chief Administrative Officer's 2024 salary includes the former and acting Chief Administrative Officer.

13. CONTINGENCIES

(a) The Town is a member of the Alberta Municipal Insurance Exchange. Under the terms of membership, the Town could become liable for its proportionate share 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.

(b) The Town is involved in a legal dispute as at December 31, 2025, the outcome of which is not determinable at year-end. Any related settlements not covered by insurance will be recorded as an expense in the year incurred.

14. FRANCHISE FEES

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	Budget 2025 (Note 18)	**Actual 2025**	Actual 2024
Fortis Alberta	$ 1,270,363	**$ 1,254,555**	$ 1,245,032
AltaGas Ltd.	911,410	**878,134**	863,408
	$ 2,181,773	**$ 2,132,689**	$ 2,108,440

15. LOCAL AUTHORITIES PENSION PLAN

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

The Town is required to make current service contributions to the Plan of 8.45% (2024 - 8.45%) of pensionable earnings up to the Canada Pension Plan year's maximum pensionable earnings and 11.65% (2024 - 11.65%) for the excess. Employees of the Town are required to make current service contributions of 7.45% (2024 - 7.45%) of pensionable earnings up to the year's maximum pensionable earnings and 10.65% (2024 - 10.65%) on pensionable earnings above this amount.

Total current and past service contributions made by the Town to the LAPP in 2025 were $676,155 (2024 - $675,099). Total current and past service contributions made by the employees of the Town to the LAPP in 2023 were $602,137 (2024 - $601,284).

At December 31, 2024, the LAPP disclosed an actuarial surplus of $19.6 billion (2023 - $15.1 billion).

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, accounts receivables, loans receivable, investments, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant currency, liquidity, market or other price risk arising from these financial instruments. Unless otherwise noted, the carrying value of the financial instruments approximates their fair value.

Credit risk
The Town is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that ratepayers and other customers may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of ratepayers and other customers minimizes the Town's credit risk.

Interest rate risk
Interest rate risk is the risk that the Town's annual surplus will be affected by the fluctuation and degree of volatility in interest rates. Interest rate risk on the Town's long term debt is managed through fixed rate debentures with the Province of Alberta (Note 8).

17. SEGMENTED INFORMATION

The Town provides a range of services to its residents. 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 consolidated financial statements as disclosed in Note 1. For additional information see the Consolidated Schedule of Segment Disclosure (Schedule 4).

18. BUDGET FIGURES

	Budget 2025
Annual deficit (per consolidated statement of operations and accumulated surplus)	$ (3,803,779)
Amortization	5,548,572
Purchase of tangible capital assets	(4,323,450)
Debenture repayments	(1,094,185)
Net transfers from restricted surplus (per below)	3,672,842
	$ -

Purchase of tangible capital assets funded from restricted surplus	$ 4,323,450
Debenture repayments funded from restricted surplus	1,094,185
Tax supported deficit funded from restricted surplus	507,804
Utility supported surplus transferred to restricted surplus	(2,252,597)
Net transfers from restricted surplus	$ 3,672,842

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by the Town Council on December 3, 2024. The information above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

19. CREDIT FACILITIES

The Town is authorized for overdraft on its main operating bank account of $1,000,000 that is available, if needed, for operating cash flow. The interest rate is set at prime minus 0.50%. The loan has not been drawn upon as of December 31, 2025 or December 31, 2024. The loan is secured by a general security agreement over the assets of the Town.

20. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Council and Management.