MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Financial Statements

For the Year Ended December 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Council of Municipal District of Spirit River No. 133

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated 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 consolidated financial statements.

JDP Wasserman LLP have been appointed by the Members of Council of Municipal District of Spirit River No. 133 to express an opinion on the consolidated financial statements.

S Hayden

Shirley Hayden
Chief Administrative Officer

Elena Valdes
Director of Corporate Services

Spirit River, AB
April 27, 2026

JDP Wasserman LLP
Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

To the Members of Council of Municipal District of Spirit River No. 133

Opinion

We have audited the consolidated financial statements of Municipal District of Spirit River No. 133 (the "MD"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the MD as at December 31, 2025, 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 Consolidated Financial Statements* section of our report. We are independent of the MD 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 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 MD'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 MD or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Members of Council) are responsible for overseeing the MD'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 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 MD’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 MD’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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the MD to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

JDP Wasserman LLP

Edmonton, Alberta
April 27, 2026

Chartered Professional Accountants

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Financial Position

As at December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents *(Note 2)*	**$ 3,599,062**	$ 4,220,903
Accounts receivable *(Note 3)*	**807,164**	1,196,297
Land held for resale	**1,068,728**	1,068,728
Investments *(Note 4)*	**3,686,875**	3,203,292
	9,161,829	9,689,220
LIABILITIES		
Accounts payable and accrued liabilities *(Note 5)*	**310,897**	260,091
Deposit liabilities	**21,003**	21,003
Deferred revenue *(Note 6)*	**148,675**	298,216
	480,575	579,310
NET FINANCIAL ASSETS	**8,681,254**	9,109,910
NON-FINANCIAL ASSETS		
Prepaid expenses	**120,366**	68,706
Inventory for consumption	**1,184,792**	821,166
Tangible capital assets *(Schedule 1)*	**24,009,492**	24,755,797
	25,314,650	25,645,669
ACCUMULATED SURPLUS *(Note 8)*	**$ 33,995,904**	$ 34,755,579

CONTINGENCY *(Note 15)*

ON BEHALF OF COUNCIL:

________________ *Reeve*

________________ *Councillor*

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Operations and Accumulated Surplus

For the Year Ended December 31, 2025

	2025 (Budget) *(Note 12)*	**2025 (Actual)**	2024 (Actual)
REVENUES			
Net municipal property taxes *(Schedule 3)*	$ 4,121,736	**$ 3,969,566**	$ 3,984,044
Government transfers for operating *(Schedule 4)*	432,544	**373,143**	543,345
Investment income	163,000	**261,479**	263,635
User fees and sales of goods	178,100	**215,126**	261,742
Other revenues	70,188	**134,635**	140,735
Rentals	67,440	**57,780**	64,580
Penalties and costs on taxes	8,000	**25,580**	19,893
Licenses and permits	1,500	**1,570**	3,150
	5,042,508	**5,038,879**	5,281,124
EXPENSES			
Roads, streets, walks, lighting	2,327,450	**3,418,659**	3,773,332
General administration	1,034,250	**1,312,961**	1,085,311
Economic and agricultural development	434,235	**421,838**	320,455
Fire fighting and protective services	250,106	**252,339**	252,521
Family and community support services	191,535	**199,083**	201,511
Council and legislative	164,965	**184,440**	151,493
Land use planning, zoning and development	89,400	**94,256**	51,081
Other public health and welfare	89,180	**83,992**	103,725
Parks and recreation	81,725	**66,593**	81,263
Other planning and development	35,575	**27,574**	30,967
Culture	17,100	**15,748**	16,739
Disaster and emergency services	8,427	**8,484**	80,258
Cemetery	14,000	**7,308**	13,998
Water supply and distribution	1,500	**4,462**	4,441
Waste management	3,500	**2,671**	2,551
	4,742,948	**6,100,408**	6,169,646
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER	299,560	**(1,061,529)**	(888,522)
OTHER REVENUES (EXPENSES)			
Government transfers for capital *(Schedule 4)*	564,045	**301,854**	858,875
ANNUAL SURPLUS (DEFICIT)	863,605	**(759,675)**	(29,647)
ACCUMULATED SURPLUS - TO BEGIN YEAR	34,755,579	**34,755,579**	34,785,226
ACCUMULATED SURPLUS - END OF YEAR	$ 35,619,184	**$ 33,995,904**	$ 34,755,579

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2025

	2025 (Budget) *(Note 12)*	**2025 (Actual)**	2024 (Actual)
ANNUAL SURPLUS (DEFICIT)	$ 863,605	**$ (759,675)**	$ (29,647)
Amortization of tangible capital assets	-	**1,706,366**	1,663,207
Purchase of tangible capital assets	(1,516,850)	**(960,061)**	(836,798)
Use (acquisition) of prepaid expenses	-	**(51,660)**	30,335
Use (acquisition) of inventory for consumption	-	**(363,626)**	(20,227)
	(1,516,850)	**331,019**	836,517
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(653,245)	**(428,656)**	806,870
NET FINANCIAL ASSETS - BEGINNING OF YEAR	9,109,910	**9,109,910**	8,303,040
NET FINANCIAL ASSETS - END OF YEAR	$ 8,456,665	**$ 8,681,254**	$ 9,109,910

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual deficit	**$ (759,675)**	$ (29,647)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	**1,706,366**	1,663,207
	946,691	1,633,560
Changes in non-cash working capital:		
Accounts receivable	**389,133**	283,443
Accounts payable and accrued liabilities	**50,806**	(212,324)
Deposit liabilities	**-**	1,500
Deferred revenue	**(149,541)**	233,956
Prepaid expenses	**(51,660)**	30,335
Inventory for consumption	**(363,626)**	(20,227)
	(124,888)	316,683
Cash flow from operating activities	**821,803**	1,950,243
INVESTING ACTIVITIES		
Purchase of tangible capital assets	**(960,061)**	(836,798)
Net change in investments	**(483,583)**	205,658
Cash flow used by investing activities	**(1,443,644)**	(631,140)
CHANGE IN CASH AND CASH EQUIVALENTS	**(621,841)**	1,319,103
Cash and cash equivalents - beginning of year	**4,220,903**	2,901,800
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 3,599,062**	$ 4,220,903

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Tangible Capital Assets ***(Schedule 1)***

For the Year Ended December 31, 2025

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	**2025**	2024
COST								
BALANCE, BEGINNING OF YEAR	$ 1,324,524	$ -	$ 3,431,540	$ 75,056,832	$ 3,207,304	$ 929,231	**$ 83,949,431**	$ 83,112,633
Purchase of tangible capital assets	-	-	-	61,500	898,561	-	**960,061**	836,798
BALANCE, END OF YEAR	$ 1,324,524	$ -	$ 3,431,540	$ 75,118,332	$ 4,105,865	$ 929,231	**$ 84,909,492**	$ 83,949,431
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	$ -	$ -	$ 541,144	$ 56,593,075	$ 1,308,243	$ 751,172	**$ 59,193,634**	$ 57,530,427
Amortization of tangible capital assets	-	-	68,631	1,382,869	211,583	43,283	**1,706,366**	1,663,207
BALANCE, END OF YEAR	$ -	$ -	$ 609,775	$ 57,975,944	$ 1,519,826	$ 794,455	**$ 60,900,000**	$ 59,193,634
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	**$ 1,324,524**	**$ -**	**$ 2,821,765**	**$ 17,142,388**	**$ 2,586,039**	**$ 134,776**	**$ 24,009,492**	$ 24,755,797
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2024	$ 1,324,524	$ -	$ 2,890,396	$ 18,463,757	$ 1,899,061	$ 178,059		$ 24,755,797

Included in the net book value of tangible capital assets is work-in-progress of $Nil (2024 - $Nil).

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Schedule of Equity in Tangible Capital Assets *(Schedule 2)*
For the Year Ended December 31, 2025

	2025	2024
BALANCE, BEGINNING OF YEAR	**$ 24,755,797**	$ 25,582,206
Purchase of tangible capital assets	**960,061**	836,798
Amortization of tangible capital assets	**(1,706,366)**	(1,663,207)
BALANCE, END OF YEAR	**$ 24,009,492**	$ 24,755,797
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets *(Schedule 1)*	**$ 24,009,492**	$ 24,755,797

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Property Taxes *(Schedule 3)*

For the Year Ended December 31, 2025

	2025 (Budget) *(Note 12)*	**2025 (Actual)**	2024 (Actual)
TAXATION			
Real property taxes	$ 2,970,942	**$ 2,967,485**	$ 3,095,572
Designated industrial property taxes	1,842,034	**1,842,135**	1,577,148
	$ 4,812,976	**$ 4,809,620**	$ 4,672,720
REQUISITIONS			
Alberta School Foundation Fund	$ 654,387	**$ 803,201**	$ 653,837
Grande Spirit Foundation	28,778	**28,778**	26,403
Designated Industrial Property	8,075	**8,075**	8,436
	$ 691,240	**$ 840,054**	$ 688,676
NET MUNICIPAL PROPERTY TAXES	$ 4,121,736	**$ 3,969,566**	$ 3,984,044

The accompanying notes form an integral part of these consolidated financial statements.

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Schedule of Government Transfers ***(Schedule 4)***
For the Year Ended December 31, 2025

	2025 (Budget) *(Note 12)*	**2025 (Actual)**	2024 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	$ 336,090	**$ 336,189**	$ 492,172
Local government	32,954	**35,454**	35,454
Federal government	63,500	**1,500**	15,719
	$ 432,544	**$ 373,143**	$ 543,345
TRANSFERS FOR CAPITAL			
Provincial government	$ 1,257,920	**$ 301,854**	$ 858,875
TOTAL GOVERNMENT TRANSFERS	$ 1,690,464	**$ 674,997**	$ 1,402,220

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Expenses by Object *(Schedule 5)*

For the Year Ended December 31, 2025

	2025 (Budget) *(Note 12)*	**2025 (Actual)**	2024 (Actual)
Salaries, wages and benefits	$ 1,730,922	**$ 1,811,237**	$ 1,569,969
Amortization of tangible capital assets	-	**1,706,366**	1,663,207
Contracted and general services	1,081,348	**1,156,581**	983,624
Materials, goods and utilities	1,636,871	**1,150,166**	1,585,261
Purchases from other governments	202,707	**202,544**	266,946
Transfers to individuals and organizations	53,750	**44,386**	62,746
Transfers to local boards and agencies	17,100	**15,748**	16,739
Bank charges and short-term interest	15,250	**8,381**	13,189
Transfers to other governments	5,000	**5,000**	7,965
	$ 4,742,948	**$ 6,100,409**	$ 6,169,646

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133

Schedule of Segmented Disclosure ***(Schedule 6)***

For the Year Ended December 31, 2025

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	**2025**
REVENUES								
Net municipal property taxes	$ 1,019,452	$ 249,744	$ 2,265,098	$ -	$ 70,192	$ 328,953	$ 36,127	**$ 3,969,566**
Government transfers for operating	50,701	9,827	10,500	-	111,868	166,247	24,000	**373,143**
Investment income	261,479	-	-	-	-	-	-	**261,479**
User fees and sales of goods	3,025	-	119,710	75,011	17,080	300	-	**215,126**
Other revenues	31,367	-	6,750	-	67,772	6,532	22,214	**134,635**
Rentals	56,525	-	1,255	-	-	-	-	**57,780**
Penalties and costs on taxes	25,580	-	-	-	-	-	-	**25,580**
Licenses and permits	-	-	-	-	-	1,570	-	**1,570**
	$ 1,448,129	$ 259,571	$ 2,403,313	$ 75,011	$ 266,912	$ 503,602	$ 82,341	**$ 5,038,879**
EXPENSES								
Salaries, wages and benefits	$ 630,099	$ -	$ 712,092	$ -	$ 182,008	$ 287,038	$ -	**$ 1,811,237**
Contracted and general services	676,401	57,027	234,262	2,671	23,860	160,714	1,645	**1,156,580**
Materials, goods and utilities	124,609	-	877,960	1,502	58,147	47,500	40,448	**1,150,166**
Purchases from other governments	-	202,544	-	-	-	-	-	**202,544**
Transfer to individuals & organizations	8,691	-	-	-	2,845	8,350	24,500	**44,386**
Transfers to local boards and agencies	-	-	-	-	-	-	15,748	**15,748**
Bank charges and short-term interest	8,329	-	-	-	52	-	-	**8,381**
Transfers to other governments	-	-	5,000	-	-	-	-	**5,000**
	1,448,129	259,571	1,829,314	4,173	266,912	503,602	82,341	**4,394,042**
NET REVENUE BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	$ -	$ -	$ 573,999	$ 70,838	$ -	$ -	$ -	**$ 644,837**
Amortization of tangible capital assets	$ 49,272	$ 1,252	$ 1,589,345	$ 2,960	$ 23,470	$ 40,067	$ -	**$ 1,706,366**
NET REVENUE (DEFICIT)	$ (49,272)	$ (1,252)	$ (1,015,346)	$ 67,878	$ (23,470)	$ (40,067)	$ -	**$ (1,061,529)**

MUNICIPAL DISTRICT OF SPIRIT RIVER NO. 133
Schedule of Segmented Disclosure
(Schedule 7)
For the Year Ended December 31, 2024

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2024
REVENUES								
Net municipal property taxes	$ 733,103	$ 255,718	$ 2,740,606	$ -	$ 3,868	$ 205,062	$ 45,687	$ 3,984,044
Government transfers for operating	51,121	75,809	10,500	-	215,668	166,247	24,000	543,345
Investment income	263,635	-	-	-	-	-	-	263,635
User fees and sales of goods	1,765	-	172,150	62,372	23,955	1,500	-	261,742
Other revenues	54,897	-	1,200	-	52,272	4,051	28,315	140,735
Rentals	63,120	-	1,460	-	-	-	-	64,580
Penalties and costs on taxes	19,893	-	-	-	-	-	-	19,893
Licenses and permits	-	-	-	-	-	3,150	-	3,150
	$ 1,187,534	$ 331,527	$ 2,925,916	$ 62,372	$ 295,763	$ 380,010	$ 98,002	$ 5,281,124
EXPENSES								
Materials, goods and utilities	$ 118,582	$ 82	$ 1,270,740	$ 1,481	$ 89,840	$ 63,296	$ 41,240	$ 1,585,261
Salaries, wages and benefits	493,258	-	694,769	-	174,440	203,055	4,447	1,569,969
Contracted and general services	539,842	64,715	236,032	2,551	25,549	113,359	1,576	983,624
Purchases from other governments	216	266,730	-	-	-	-	-	266,946
Transfer to individuals & organizations	22,641	-	-	-	5,855	250	34,000	62,746
Transfers to local boards and agencies	-	-	-	-	-	-	16,739	16,739
Bank charges and short-term interest	12,995	-	65	-	79	50	-	13,189
Transfers to other governments	-	-	7,965	-	-	-	-	7,965
	1,187,534	331,527	2,209,571	4,032	295,763	380,010	98,002	4,506,439
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	$ -	$ -	$ 716,345	$ 58,340	$ -	$ -	$ -	$ 774,685
Amortization of tangible capital assets	$ 49,272	$ 1,252	$ 1,563,761	$ 2,960	$ 23,470	$ 22,492	$ -	$ 1,663,207
NET REVENUE (DEFICIT)	$ (49,272)	$ (1,252)	$ (847,416)	$ 55,380	$ (23,470)	$ (22,492)	$ -	$ (888,522)

The accompanying notes form an integral part of these consolidated financial statements.

1. ACCOUNTING POLICIES

The consolidated financial statements of Municipal District of Spirit River (the "MD") are the representations of management, prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the MD are as follows:

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, and cash flows of the reporting entity. The entity is comprised of all the organizations that are owned or controlled by the MD and are, therefore, accountable to MD Council for the administration of their financial affairs and resources.

The schedule of property taxes also includes requisitions that are not part of the reporting entity.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

(b) Basis of Accounting

The MD follows the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. 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 MD 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 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. Gains on principal protected notes are recognized as income when sold.

(e) Land Held for Resale

Land held for resale is recorded at the lower of cost or 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 the respective function.

(continues)

1. ACCOUNTING POLICIES *(continued)*

(f) 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 (deficit), provides the Consolidated Statement of Changes in Net Financial Assets for the year (page 7).

(g) 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.

(h) 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:

Buildings	50 years
Engineered structures:	
Road system	20 - 60 years
Bridges and culverts	10 - 80 years
Machinery and equipment	10 - 20 years
Vehicles	10 - 25 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.

(i) Landfill Closure and Post-Closure Liability

Pursuant to the *Alberta Environmental Protection and Enhancement Act*, the MD is required to fund the closure of its landfill site and provide for post-closure costs of the facility. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. The requirement is to be provided for over the estimated remaining useful life of the landfill site based on usage.

(continues)

1. ACCOUNTING POLICIES *(continued)*

(j) 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 MD 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.

(k) 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 MD and are recognized as revenue in the year in which the local improvement project is completed.

(l) Requisition Over-levies and Under-levies

Requisition 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. If 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.

(m) 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 revenues and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The MD has used estimates to determine accrued liabilities including asset retirement obligations, tangible capital asset useful lives and well as provisions made for allowances for amounts receivable or any provision for impairment.

(continues)

1. ACCOUNTING POLICIES *(continued)*

(n) 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 MD 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 MD reviews the carrying amount of the liability. The MD 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 MD continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

2. CASH AND CASH EQUIVALENTS

	2025	2024
Operating bank account	**$ 2,521,764**	$ 729,337
Temporary investments	**1,056,619**	3,471,018
Treasury bill savings account	**19,679**	19,548
Petty cash	**1,000**	1,000
	$ 3,599,062	$ 4,220,903

Temporary investments include investment portfolio cash and high interest savings accounts, as well as guaranteed investment certificates ("GICs") and bonds which have a maturity of 90 days or less at acquisition.

The MD does not have any existing credit facility agreements in place.

3. ACCOUNTS RECEIVABLE

	2025	2024
Receivable from other governments	$ 441,817	$ 949,083
Trade and other	176,328	106,419
Taxes and grants in place of taxes	170,150	80,538
Accrued interest	58,174	75,026
Goods and Services Tax recoverable (payable)	(39,305)	(14,769)
	$ 807,164	$ 1,196,297

4. INVESTMENTS

	2025 Market Value	2025 Cost	2024 Market Value	2024 Cost
Bonds	$ 3,140,784	$ 3,066,181	$ 2,609,939	$ 2,514,932
GICs	620,689	620,689	688,355	688,355
UFA Co-op Ltd. shares	5	5	5	5
	$ 3,761,478	$ 3,686,875	$ 3,298,299	$ 3,203,292

Investments bear interest at rates ranging from 2.15% to 5.40% (2024 - 2.00% - 5.40%) per annum and mature at dates between April 2026 - June 2037 (2024 - April 2025 - June 2037).

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade and other	$ 225,489	$ 182,486
Employee earned vacation, sick and overtime liability	85,408	77,605
	$ 310,897	$ 260,091

6. DEFERRED REVENUE

Deferred revenue represents unspent externally restricted funds that are related to expenses that will be incurred in a future period.

	2025	2024
Canada Community Building Fund	$ 89,418	$ 87,809
Other	38,607	39,757
Alberta Rural Transportation Program	20,650	20,650
Alberta Community Partnership	-	150,000
	$ 148,675	$ 298,216

7. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits as defined by Alberta Regulation 255/00 for the MD be disclosed as follows:

	2025	2024
Total debt limit	**$ 7,558,319**	$ 7,921,686
Total debt	**-**	-
Service on debt limit	**$ 1,259,720**	$ 1,320,281
Service on debt	**-**	-

The debt limit is calculated at 1.5 times revenues of the MD (as defined by Regulation 255/00) and the debt service limit is calculated at 0.25 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 municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the stability of the MD. Rather, the consolidated financial statements must be interpreted as a whole.

8. ACCUMULATED SURPLUS

	2025	2024
Unrestricted surplus	**$ 2,686,399**	$ 1,946,721
Restricted surplus		
Operating reserves *(Note 9)*	**7,197,599**	7,978,754
Capital reserves *(Note 9)*	**102,414**	74,307
Equity in tangible capital assets *(Schedule 2)*	**24,009,492**	24,755,797
	$ 33,995,904	$ 34,755,579

9. RESTRICTED SURPLUS

	2025	2024
Operating Reserves		
Contingency (mill rate stabilization)	**$ 6,055,542**	$ 6,786,952
Heritage	**1,000,000**	1,000,000
Brownlee building government rent	**88,770**	88,770
Municipal land reserve	**27,796**	27,796
Family and community support services	**25,491**	75,235
	$ 7,197,599	$ 7,978,753

Capital Reserves		
Fire fighting and services	**$ 40,000**	$ 40,000
Family and community support services	**36,813**	8,706
Public health	**20,000**	20,000
Economic / agricultural	**5,601**	5,601
	$ 102,414	$ 74,307

10. SALARIES AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for MD officials, the MD Chief Administrative Officer and designated officers are required by Alberta Regulation 313/200 is as follows:

	Salary (1)	Benefits (2)	**2025**	2024
Reeve Van Rootselaar, Tony	$ 26,094	$ 3,165	**$ 29,259**	$ 25,086
Councillors				
Van Rootselaar, Nick	27,168	4,168	**31,336**	32,009
Bzowy, S	19,999	4,121	**24,120**	21,575
Garrow	10,595	2,505	**13,100**	15,943
Rozecki	5,667	1,804	**7,471**	-
Bzowy, E	6,152	902	**7,054**	-
Wark	4,379	922	**5,301**	-
Schoorlemmer	3,223	922	**4,145**	-
Chief Administrative Officer				
Dibbelt	217,748	-	**217,748**	198,933
Hayden	13,592	-	**13,592**	-
Designated Officers - 2 (3)	130,935	3,587	**134,522**	137,332
	$ 465,552	$ 22,096	**$ 487,648**	$ 430,878

(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 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. Benefits also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

(3) Designated officers consist of an Agricultural Fieldperson and a Contracted Assessor.

11. LOCAL AUTHORITIES PENSION PLAN

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

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

The MD is required to make current service contributions to the LAPP at 8.45% (2024 - 8.45%) of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% (2024 - 11.65%) on pensionable earnings above this amount. Employees of the MD 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 by the MD to the LAPP in 2025 were $101,971 (2024 - $89,787). Total current and past service contributions by employees of the MD to the LAPP in 2025 were $90,810 (2024 - $79,851).

At December 31, 2024 the LAPP disclosed an actuarial surplus of $19.557 billion (2023 - $15.057 billion).

12. BUDGET FIGURES

	2025 (Budget)	**2025 (Actual)**
Annual surplus	$ 863,605	**$ (759,675)**
Amortization of tangible capital assets	-	**1,706,366**
Acquisition of tangible capital assets	(1,516,850)	**(960,061)**
Proceeds from sale of tangible capital assets	230,000	**-**
Net transfers (to) from reserves:		**753,048**
Funding acquisition of tangible capital assets	722,805	**-**
Other net transfers from reserves	(318,263)	**-**
Other net transfers to reserves	18,703	**-**
Results of operations	$ -	**$ 739,678**

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by MD Council on December 3, 2025. The chart above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

13. FINANCIAL INSTRUMENTS

The MD'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 MD is not exposed to significant currency, other price or liquidity risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

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

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13. **FINANCIAL INSTRUMENTS** *(continued)*

The MD is exposed to interest rate risk with respect to its investments. Interest rate risk is the risk that the value of financial instruments might be adversely affected by a change in interest rates. The MD manages exposure through its normal operating and financing activities, and holding short-term investments that are approximately equal to any significant specific liabilities as they become due.

14. SEGMENTED INFORMATION

The MD provides a range of services to its citizens. 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 Schedules of Segmented Disclosure (*Schedule 6* & *Schedule 7*).

15. CONTINGENCY

The MD is a member of the Jubilee Reciprocal Insurance Exchange. Under the terms of membership, the MD 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.

16. TRUST FUNDS

The MD administers the following trusts which are not reflected in these consolidated financial statements. Changes in the balances are as follows:

	Opening	Tax sale surpluses in year	Interest earned	**Ending**
Tax sale surplus	$ 41,615	$ -	$ -	**$ 41,615**

17. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by MD Council and management.