MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

Lesser Slave River

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 Reeve and Council of Municipal District of Lesser Slave River No. 124 are composed entirely of individuals who are neither management nor employees of the Municipal District. The Reeve 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 Reeve and Council are also responsible for the appointment of the Municipal District's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and to report directly to them. The external auditors have full and free access to and meet periodically and separately with both the Reeve and Council and management to discuss their audit findings.

Kevin Gannon Chief Administrative Officer	Kristen Schalin, CPA Director of Finance

Slave Lake, Alberta
April 8, 2026

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Municipal District of Lesser Slave River No. 124

Opinion

We have audited the accompanying financial statements of Municipal District of Lesser Slave River No. 124 (the "Municipal District"), which comprise the statement of financial position as at December 31, 2025 and the statements of operations and accumulated surplus, statement of remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Municipal District as at December 31, 2025, the results of its operations, changes in net financial assets, 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 Financial Statements* section of our report. We are independent of the Municipal District in accordance with the 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Municipal District'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 Municipal District or to cease operations, or has no realistic alternative but to do so.

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

(continues)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipal District's internal control.

- Evaluate the appropriateness of accounting policies 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 Municipal District'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 or our auditors' report. However, future events or conditions may cause the Municipal District 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 8, 2026

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124
Statement of Financial Position
As at December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and temporary investments *(Note 2)*	**$ 17,967,323**	$ 13,911,412
Taxes and grants in place of taxes receivable *(Note 4)*	**556,780**	299,799
Trade and other receivables *(Note 5)*	**5,360,335**	3,415,934
Loans receivable *(Note 6)*	**262,257**	337,457
Debt charges recoverable *(Note 7)*	**432,394**	711,823
Investments *(Note 8)*	**11,690,311**	11,723,203
	36,269,400	30,399,628
LIABILITIES		
Accounts payable and accrued liabilities *(Note 10)*	**1,819,666**	3,087,462
Deposit liabilities	**194,909**	211,267
Employee benefit obligation *(Note 11)*	**159,788**	177,988
Deferred revenue *(Note 12)*	**842,725**	641,105
Contaminated site *(Note 13)*	**420,156**	412,137
Asset retirement obligation *(Note 14)*	**3,461,329**	3,331,861
Long-term debt *(Note 15)*	**1,049,113**	1,454,473
	7,947,686	9,316,293
NET FINANCIAL ASSETS	**28,321,714**	21,083,335
NON-FINANCIAL ASSETS		
Tangible capital assets *(Schedule 1)*	**78,372,173**	77,192,862
Inventory for consumption *(Note 17)*	**2,118,695**	2,496,432
Prepaid expenses	**471,025**	498,952
	80,961,893	80,188,246
ACCUMULATED SURPLUS *(SCHEDULE 2, NOTE 19)*	**$109,283,607**	$101,271,581
Accumulated Surplus is comprised of:		
Accumulated surplus from operations *(Schedule 2)*	**$109,283,607**	$101,259,081
Accumulated remeasurement gains and (losses)	**-**	12,500
	$109,283,607	$101,271,581

CONTINGENCIES *(Note 21)*

ON BEHALF OF COUNCIL:

Brad Pearson

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

Statement of Operations and Accumulated Surplus

For The Year Ended December 31, 2025

	2025 (Budget) (Note 26)	**2025 (Actual)**	2024 (Actual)
REVENUE			
Net municipal taxes *(Schedule 3)*	$ 24,033,895	**$ 24,240,052**	$ 18,958,318
User fees and sales of goods	2,345,304	**2,105,042**	1,726,891
Investment income	409,786	**787,537**	959,130
Government transfers for operating *(Schedule 4)*	734,834	**491,837**	742,526
Penalties and costs of taxes	85,588	**302,963**	88,326
Licenses, permits and fines	100,000	**88,127**	79,503
Other	43,380	**52,686**	141,154
	27,752,787	**28,068,244**	22,695,848
EXPENSES			
Roads, streets, walks, lighting	5,285,619	**5,644,346**	8,748,277
Administration	4,300,351	**3,859,588**	3,566,977
Water supply and distribution	2,727,467	**3,263,568**	3,183,779
Common services	2,768,787	**2,544,565**	2,738,261
Protective services	2,767,552	**2,308,781**	1,987,456
Wastewater treatment and disposal	1,247,819	**1,667,252**	1,786,909
Agriculture, planning and development	1,604,868	**1,338,502**	1,251,204
Parks, recreation, culture	706,727	**1,143,250**	1,054,216
Inter-municipal cost sharing	455,006	**573,740**	481,841
Waste management	580,838	**531,470**	520,151
Legislative services	618,411	**485,286**	456,996
Family and community support	120,894	**124,393**	120,290
	23,184,339	**23,484,741**	25,896,357
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME	4,568,448	**4,583,503**	(3,200,509)
OTHER INCOME (EXPENSE)			
Government transfers for capital *(Schedule 4)*	-	**3,337,659**	3,780,603
Gain on disposal of tangible capital assets	750	**103,364**	171,257
	750	**3,441,023**	3,951,860
ANNUAL SURPLUS	4,569,198	**8,024,526**	751,351
ACCUMULATED SURPLUS, BEGINNING OF YEAR	101,259,081	**101,259,081**	100,507,730
ACCUMULATED SURPLUS, END OF YEAR *(SCHEDULE 2, NOTE 19)*	$105,828,279	**$109,283,607**	$101,259,081

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

Statement of Remeasurement Gains and Losses

For The Year Ended December 31, 2025

	2025 (Actual)	2024 (Actual)
ACCUMULATED REMEASUREMENT GAIN (LOSS) - BEGINNING OF YEAR	**$ 12,500**	$ (426,003)
Amounts reclassified to statement of operations:		
Designated at fair value	**-**	426,003
Unrealized gain attributed to:		
Designated at fair value	**(12,500)**	12,500
Net remeasurement gain (loss) for the year	**(12,500)**	438,503
ACCUMULATED REMEASUREMENT GAIN (LOSS) - END OF YEAR	**$ -**	**$ 12,500**

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

Statement of Change in Net Financial Assets

For The Year Ended December 31, 2025

	2025 (Budget) (Note 26)	**2025 (Actual)**	2024 (Actual)
ANNUAL SURPLUS	$ 4,569,198	**$ 8,024,526**	$ 751,351
Acquisition of tangible capital assets	(20,074,658)	**(6,510,606)**	(9,066,609)
Proceeds on disposal of tangible capital assets	-	**453,210**	254,905
Amortization of tangible capital assets	-	**4,981,449**	7,654,874
Loss (gain) on disposal of tangible capital assets	(750)	**(103,364)**	(171,257)
	(20,075,408)	**(1,179,311)**	(1,328,087)
Change in accumulated remeasurement gains (losses)	-	**(12,500)**	438,503
Net change in prepaid expenses	-	**27,927**	(97,071)
Net change in inventory for consumption	-	**377,737**	558,503
	-	**393,164**	899,935
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(15,506,210)	**7,238,379**	323,199
NET FINANCIAL ASSETS, BEGINNING OF YEAR	21,083,335	**21,083,335**	20,760,136
NET FINANCIAL ASSETS, END OF YEAR	$ 5,577,125	**$ 28,321,714**	$ 21,083,335

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

Statement of Cash Flows

For The Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual surplus	$ 8,024,526	$ 751,351
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	4,981,449	7,654,874
Amortization of bond premium / discount	20,392	(32,987)
Loss (gain) on disposal of tangible capital assets	(103,364)	(171,257)
Accretion of asset retirement obligations	104,338	99,868
	13,027,341	8,301,849
Change in non-cash working capital balances:		
Taxes and grants in place of taxes receivables	(256,981)	(12,098)
Trade and other receivable	(1,944,401)	(643,460)
Inventory for consumption	377,737	558,503
Prepaid expenses	27,927	(97,071)
Accounts payable and accrued liabilities	(1,267,796)	1,161,321
Deposit liabilities	(16,358)	15,667
Deferred revenue	201,620	(661,612)
Employee benefit obligations	(18,200)	(53,870)
Contaminated site	8,019	7,935
	(2,888,433)	275,315
	10,138,908	8,577,164
FINANCING ACTIVITIES		
Repayment of long term debt	(405,360)	(612,704)
Debt charges recoverable	279,429	272,565
	(125,931)	(340,139)
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(6,510,606)	(9,066,609)
Proceeds on disposal of tangible capital assets	453,210	254,905
Revision in estimates of asset retirement obligation	25,130	24,510
	(6,032,266)	(8,787,194)
INVESTING ACTIVITIES		
Proceeds from sales of investments	-	6,225,772
Proceeds from loans receivable	75,200	74,383
	75,200	6,300,155
CHANGE IN CASH AND TEMPORARY INVESTMENTS, DURING THE YEAR	4,055,911	5,749,986
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	13,911,412	8,161,426
CASH AND TEMPORARY INVESTMENTS, END OF YEAR *(NOTE 2)*	$ 17,967,323	$ 13,911,412

MUNICIPAL DISTRICT OF LESSER SLAVE RIVER NO. 124

Schedule 1

Schedule of Tangible Capital Assets

For The Year Ended December 31, 2025

	Land	Engineered Structures	Buildings & Facilities	Machinery & Equipment	Vehicles	Work In Progress*	**2025**	2024
COST:								
Balance, Beginning of Year	2,747,301	160,954,885	36,640,810	13,877,055	3,601,410	9,454,311	**227,275,772**	219,282,362
Additions	-	1,490,067	175,498	1,299,759	310,795	3,234,487	**6,510,606**	9,066,609
Disposals	(5,770)	(348,533)	-	(775,000)	-	(11,576)	**(1,140,879)**	(1,073,199)
Transfers	197,443	6,143,405	19,024	-	-	(6,359,872)	**-**	-
Balance, End of Year	2,938,974	168,239,824	36,835,332	14,401,814	3,912,205	6,317,350	**232,645,499**	227,275,772
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	-	117,376,347	22,140,592	8,358,570	2,207,401	-	**150,082,910**	143,417,587
Amortization expense	-	2,274,056	1,113,238	1,128,759	465,396	-	**4,981,449**	7,654,874
Disposals	-	(348,533)	-	(442,500)	-	-	**(791,033)**	(989,551)
Balance, End of Year	-	119,301,870	23,253,830	9,044,829	2,672,797	-	**154,273,326**	150,082,910
NET BOOK VALUE, END OF YEAR	**$ 2,938,974**	**$ 48,937,954**	**$ 13,581,502**	**$ 5,356,985**	**$ 1,239,408**	**$ 6,317,350**	**$ 78,372,173**	$ 77,192,862
NET BOOK VALUE, BEGINNING OF YEAR	$ 2,747,301	$ 43,578,538	$ 14,500,218	$ 5,518,485	$ 1,394,009	$ 9,454,311	$ 77,192,862	

*Included in work in progress cost is Engineered Structures cost of $5,972,208 (2024 - $9,021,728), Building cost of $NIL (2024 - $NIL), Machinery and Equipment cost of $NIL (2024 - $93,054), and Vehicles cost of $345,142 (2024 - $339,529). These amounts are not amortized until the asset is completed and in use.

Schedule of Changes in Accumulated Surplus

For The Year Ended December 31, 2025

	Unrestricted Surplus	Operating Reserve	Capital Reserve	Equity in Tangible Capital Assets	2025	2024
BALANCE, BEGINNING OF YEAR	2,476,111	4,797,746	20,124,223	73,861,001	**101,259,081**	100,507,730
Annual surplus	8,024,526	-	-	-	**8,024,526**	751,351
Restricted funds used for operations	(2,604,653)	829,953	1,774,700	-	**-**	-
Restricted funds used for tangible capital assets	-	-	(2,734,720)	2,734,720	**-**	-
Current year funds used for tangible capital assets	(3,775,886)	-	-	3,775,886	**-**	-
Disposal of tangible capital assets (net of amortization)	349,846	-	-	(349,846)	**-**	-
Annual amortization expense	4,981,449	-	-	(4,981,449)	**-**	-
Annual accretion expense	104,338	-	-	(104,338)	**-**	-
Revision in estimates asset retirement obligations	25,130	-	-	(25,130)	**-**	-
BALANCE, END OF YEAR	$ 9,580,861	$ 5,627,699	$ 19,164,203	$ 74,910,844	**$ 109,283,607**	$ 101,259,081

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

Schedule of Property and Other Taxes

For The Year Ended December 31, 2025

	2025 (Budget) (Note 26)	**2025 (Actual)**	2024 (Actual)
TAXATION			
Real property taxes	$ 18,172,996	**$ 18,318,682**	$ 16,818,341
Linear property taxes	11,072,144	**11,164,249**	6,818,378
Designated industrial property	118,110	**119,040**	101,209
	29,363,250	**29,601,971**	23,737,928
REQUISITIONS			
Alberta School Foundation Fund	4,539,779	**4,583,975**	4,053,667
Seniors lodging	660,683	**659,711**	626,765
Designated industrial property	128,893	**118,233**	99,178
	5,329,355	**5,361,919**	4,779,610
NET MUNICIPAL TAXES	$ 24,033,895	**$ 24,240,052**	$ 18,958,318

Schedule of Government Transfers

For The Year Ended December 31, 2025

	2025 (Budget) (Note 26)	**2025 (Actual)**	2024 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	$ 702,534	**$ 399,666**	$ 730,646
Federal governments	-	**74,962**	18,025
Local government (recovery)	32,300	**17,209**	(6,145)
	734,834	**491,837**	742,526
TRANSFERS FOR CAPITAL			
Provincial government	-	**3,337,659**	3,780,603
TOTAL GOVERNMENT TRANSFERS	$ 734,834	**$ 3,829,496**	$ 4,523,129

Schedule of Segmented Disclosure

For The Year Ended December 31, 2025

	General Government	Protective Services	Transportation Services	Environmental Services	Planning & Development	Recreation & Culture	Total
REVENUE							
Net municipal taxes	$ 24,240,052	$ -	$ -	$ -	$ -	$ -	$ 24,240,052
User fees and sales of goods	41,166	8,618	469,509	1,486,189	28,795	70,765	2,105,042
Interest income	787,537	-	-	-	-	-	787,537
Government transfers for operating	35,001	74,962	(23,606)	-	405,480	-	491,837
Penalties and costs of taxes	297,436	-	-	5,527	-	-	302,963
Licenses, permits and fines	-	18,352	-	-	69,775	-	88,127
Other	31,187	1,350	14,064	6,085	-	-	52,686
	25,432,379	103,282	459,967	1,497,801	504,050	70,765	28,068,244
EXPENSES							
Salaries, wages, and benefits	2,028,186	455,020	2,102,826	1,373,111	670,995	295,237	6,925,375
Contracted and general services	1,792,627	392,171	1,418,421	1,437,400	592,914	66,843	5,700,376
Amortization of tangible capital assets	125,421	215,028	2,639,631	1,514,612	13,356	473,401	4,981,449
Materials, goods and supplies	125,312	92,917	1,756,117	495,977	72,725	9,685	2,552,733
Transfers to other governments, local boards, and organizations	583,490	1,120,293	180,000	105,233	103,464	227,142	2,319,622
Utilities	37,232	33,352	91,916	506,166	9,441	70,942	749,049
Other	109,667	-	-	-	-	-	109,667
Accretion of asset retirement obligation	104,338	-	-	-	-	-	104,338
Interest on long term debt	12,341	-	-	29,791	-	-	42,132
	4,918,614	2,308,781	8,188,911	5,462,290	1,462,895	1,143,250	23,484,741
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME (EXPENSES)	20,513,765	(2,205,499)	(7,728,944)	(3,964,489)	(958,845)	(1,072,485)	4,583,503
Government transfers for capital	-	-	3,161,061	176,598	-	-	3,337,659
Gain (loss) on disposal of tangible capital assets	103,364	-	-	-	-	-	103,364
ANNUAL SURPLUS (DEFICIT)	$ 20,617,129	$ (2,205,499)	$ (4,567,883)	$ (3,787,891)	$ (958,845)	$ (1,072,485)	$ 8,024,526

Schedule of Segmented Disclosure

For The Year Ended December 31, 2024

	General Government	Protective Services	Transportation Services	Environmental Services	Planning Development	Recreation & Culture	Total
REVENUE							
Net municipal taxes	$ 18,958,318	$ -	$ -	$ -	$ -	$ -	$ 18,958,318
User fees and sales of goods	42,467	280	248,073	1,343,272	8,663	84,136	1,726,891
Investment income	959,130	-	-	-	-	-	959,130
Government transfers for operating	168,926	-	37,697	-	535,903	-	742,526
Other	17,757	85,582	23,894	4,310	9,611	-	141,154
Penalties and costs of taxes	82,771	-	-	5,555	-	-	88,326
Licenses, permits and fines	-	21,249	-	-	58,254	-	79,503
	20,229,369	107,111	309,664	1,353,137	612,431	84,136	22,695,848
EXPENSES							
Amortization of tangible capital assets	92,368	224,233	5,342,388	1,517,173	4,656	474,056	7,654,874
Salaries, wages, and benefits	1,942,145	493,609	2,173,428	1,392,038	871,186	214,784	7,087,190
Contracted and general services	1,527,261	257,202	1,828,232	1,172,547	300,778	93,687	5,179,707
Materials, goods and supplies	129,891	79,670	1,937,975	742,719	83,761	10,328	2,984,344
Transfers to other governments, local boards, and organizations	491,238	895,983	114,750	105,233	99,724	193,628	1,900,556
Utilities	42,449	36,759	89,765	520,827	11,389	67,733	768,922
Other	162,834	-	-	-	-	-	162,834
Accretion of asset retirement obligation	99,868	-	-	-	-	-	99,868
Interest on long term debt	17,760	-	-	40,302	-	-	58,062
	4,505,814	1,987,456	11,486,538	5,490,839	1,371,494	1,054,216	25,896,357
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER INCOME (EXPENSES)	15,723,555	(1,880,345)	(11,176,874)	(4,137,702)	(759,063)	(970,080)	(3,200,509)
Government transfers for capital	-	-	3,532,945	247,658	-	-	3,780,603
Gain (loss) on disposal of tangible capital assets	171,257	-	-	-	-	-	171,257
ANNUAL SURPLUS (DEFICIT)	$ 15,894,812	$ (1,880,345)	$ (7,643,929)	$ (3,890,044)	$ (759,063)	$ (970,080)	$ 751,351

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

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Municipal District of Lesser Slave River No. 124 (the "Municipal District") are the representations of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Municipal District are as follows:

(a) Reporting Entity

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

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

The financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes 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 temporary investments

Cash and temporary investments 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 three months or less at acquisition.

(d) Investments

Investments in interest bearing securities are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

Investments in containing embedded derivatives have been designated at fair value with transaction costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations.

(e) Debt charges recoverable

Debt charges recoverable consists of amounts that are recoverable from other local governments with respect to outstanding debentures incurred on their behalf for projects unrelated to the Municipal District. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long-term debt.

(CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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.

(g) Tax Revenue

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

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectible from property owners for work performed by the Municipal District. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition by-law.

(h) Government Transfers

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

Government transfers are recognized in the 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 Municipal District, and reasonable estimates of the amounts can be made.

(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 in the consolidated statement of operations.

(CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Asset retirement obligations (cont'd)

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 consolidated statement of operations.

(j) Contaminated sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the post-remediation including operation, maintenance and monitoring.

(k) 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.

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 - 25 years
Buildings and facilities	25 - 50 years
Engineering structures:	
Roadway systems	10 - 65 years
Water systems	5 - 75 years
Wastewater systems	5 - 75 years
Machinery & Equipment:	
Field and sewer equipment	5 - 25 years
Networking and communication systems	5 - 20 years
Vehicles	5 - 10 years

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

ii) Contributions of Tangible Capital Assets

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

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.

(CONT'D)

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Non-Financial Assets (cont'd)

iv) Inventory for Consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost with cost determined using the average cost method.

(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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where management uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those 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, future cash flows associated with asset retirement obligations, contaminated sites, and accrued liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the financial statements.

(m) Future Accounting Standard Pronouncements

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

i) PS 1202 - Financial Statement Presentation

This standards 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. CASH AND TEMPORARY INVESTMENTS

	2025	2024
Cash	**$ 17,859,603**	$ 13,808,381
Temporary investments	**107,720**	103,031
	$ 17,967,323	$ 13,911,412

Temporary investments are short-term deposits with original maturities of three months or less bearing interest at rates ranging from 2.90% to 2.95% (2024 - 3.85% to 3.95%) maturing during 2026.

(CONT'D)

2. CASH AND TEMPORARY INVESTMENTS (CONT'D)

Included in cash and temporary investments is a restricted amount of $842,725 (2024 - $641,105). $784,421 is from various grant programs and is being held exclusively for approved projects, and $58,304 is from prepaid taxes and rent as outlined in Note 12.

3. FUNDS HELD IN TRUST

Funds held in trust consists of the excess of proceeds received over property taxes and applicable penalties owed on those properties sold for tax recovery. The Municipal Government Act requires that unpaid excess funds be held for a minimum period of ten years before the Municipal District can use the funds for its own purposes. Funds held in trust administered by the Municipal District have not been included in the Statement of Financial Position nor have their operations been included in the Statement of Operations.

	2025	2024
Tax sale surplus	**$ 112,003**	$ 5,500

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2025	2024
Current taxes	**$ 526,004**	$ 247,839
Arrears taxes	**107,789**	163,963
	633,793	411,802
Less: Allowance for doubtful accounts	**(77,013)**	(112,003)
	$ 556,780	$ 299,799

5. TRADE AND OTHER RECEIVABLES

	2025	2024
Receivable from other governments	**$ 3,389,329**	$ 1,135,043
Good and Services Tax recoverable	**1,084,941**	1,490,115
Trade and accrued receivables	**897,080**	883,765
	5,371,350	3,508,923
Less: Allowance for doubtful accounts	**(11,015)**	(92,989)
	$ 5,360,335	$ 3,415,934

6. LOANS RECEIVABLE

	2025	2024
Loans receivable	**$ 262,257**	$ 337,457

The Municipal District has provided financing to multiple residents for the installation of private sewage connections. Under this program, the Municipal District has paid the upfront costs on behalf of the property owners, with repayment to be made by the residents over time.

These loans bear interest at rates ranging from 4.95% to 5.12% (2024 - 4.95% to 5.12%). These loans are secured by charges registered against the respective properties.

Management has assessed the collectibility of these amounts and determined that no valuation allowance is required at this time.

7. DEBT CHARGES RECOVERABLE

	2025	2024
Current debt charges recoverable	**$ 286,466**	$ 279,429
Long-term debt charges recoverable	**145,928**	432,394
	$ 432,394	$ 711,823

Principal and interest repayments:

	Principal	Interest	Total
2026	$ 286,466	$ 8,121	$ 294,587
2027	145,928	1,367	147,295
	$ 432,394	$ 9,488	$ 441,882

The Municipal District assumed debentures on behalf of Lesser Slave Lake Regional Housing Authority (the "Housing Authority"). The Municipal District is not in a partnership with the Housing Authority on the capital project but agreed to obtain the funding required by the Housing Authority and is fully reimbursed for both principal and interest payments.

The related debt is held by the Province of Alberta. The interest rate is 2.495% and matures in June 2027.

The payments are not disclosed as revenues and expenses by the Municipal District as these loans are 100% recoverable from the Housing Authority.

8. INVESTMENTS

	2025	2024
Investments - amortized cost	**$ 11,690,311**	$ 10,710,703
Investments - fair value	**-**	1,012,500
	$ 11,690,311	$ 11,723,203

The composition of portfolio investments measured at amortized cost is as follows:

	2025		2024	
	Carrying value	**Market value**	Carrying value	Market value
Fixed income securities	**$ 11,690,311**	**$ 11,380,588**	$ 10,710,703	$ 10,100,851

The fixed income securities have effective interest rates ranging from 1.67% to 3.06% (2024 - 1.73% to 2.36%) with maturity periods from 2026 to 2031 (2024 - 2025 to 2031).

The composition of portfolio investments measured at fair value is as follows:

	2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Interest bearing securities				
Principal protected notes	**$ -**	**$ -**	**$ -**	**$ -**

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Interest bearing securities				
Principal protected notes	$ -	$ 1,012,500	$ -	$ 1,012,500

The fair value measurements are those derived from:

Level 1 - Quoted prices in active markets for identical assets.

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).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the assets that are not based on observable market data (i.e. unobservable inputs)

9. CREDIT FACILITIES

The Municipal District has a revolving demand facility for $10,000 in order to finance general operating requirements.

The Municipal District has access to a revolving demand facility with a limit of $1,000,000, bearing interest at prime plus 0.25% in order to finance day to day operations.

The Municipal District has access to a revolving line of credit with a limit of $1,000,000, bearing interest as prime plus 0.25% in order to finance the acquisition of capital assets.

The Municipal District has access to a revolving line of credit with a limit of $1,000,000 by way of leases, bearing interest as prime plus 0.25% in order to finance the regular purchase of capital assets.

The Municipal District has access to a VISA Business credit card with a limit of $150,000.

As at December 31, 2025, the combined balance owing on credit facilities was $NIL (2024 - $NIL).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade payables	**$ 1,503,437**	$ 2,024,147
Other governments	**312,542**	1,058,789
Accrued interest payable	**3,687**	4,526
	$ 1,819,666	$ 3,087,462

11. EMPLOYEE BENEFIT OBLIGATION

	2025	2024
Vacation and overtime	**$ 159,788**	$ 177,988

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The Municipal District does not provide post-employment benefits to their employees.

12. DEFERRED REVENUE

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

(CONT'D)

12. DEFERRED REVENUE (CONT'D)

	2024	Additions	Revenue Recognized	**2025**
Local Government Fiscal Framework - Capital	$ -	$ 671,335	$ (340,947)	**$ 330,388**
Municipal Sustainability Initiative - Capital	102,050	459,578	(338,132)	**223,496**
Canada Community Building Fund	420,844	3,490	(255,325)	**169,009**
Prepaid taxes and rent	54,843	58,304	(54,843)	**58,304**
ACP - Intermunicipal Collaboration	-	292,459	(259,645)	**32,814**
Other	-	94,002	(74,962)	**19,040**
Local Government Fiscal Framework - Operating	-	110,400	(100,726)	**9,674**
ACP - Municipal Internship	30,000	-	(30,000)	**-**
Alberta Environment and Parks	28,231	-	(28,231)	**-**
Alberta Transportation - STIP	5,137	2,008,106	(2,013,243)	**-**
Alberta Municipal Water / Wastewater Partnership	-	8,206	(8,206)	**-**
	$ 641,105	$ 3,705,880	$ (3,504,260)	**$ 842,725**

13. CONTAMINATED SITE

	2025	2024
Site clean-up, remediation and monitoring	**$ 420,156**	$ 412,137

The Municipal District has accepted responsibility for remediation work on an individual site within the Municipal District’s boundaries for soil contamination. The estimated remediation activities include general site clean-up, additional site investigation, risk assessment and monitoring. This estimated liability is based on current contractor and engineering costs with no estimated recoveries.

The fair value of the liability for contaminated sites is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted using the consumer price index. Subsequent to the initial measurement, the obligation will be adjusted at the end of each year to reflect the passed of time and changes in the estimated future cash flows underlying the obligation. Change in the obligation are recognized in the financial statement of operations and accumulated surplus.

The estimated undiscounted future remediation expenditures are $304,510 and a discount rate of 4.46% (2024 - 4.88%) has been used.

14. ASSET RETIREMENT OBLIGATIONS

Tangible capital assets with associated retirement obligations include land, land improvements, buildings, engineered structures, and machinery and equipment.

(CONT'D)

14. ASSET RETIREMENT OBLIGATION (CONT'D)

The Municipal District has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the Municipal District 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 Municipal District to remove the materials when the asset retirement activities occur.

The Municipal District has asset retirement obligations pursuant to the *Environmental Enhancement and Protection Act* (Alberta) to fund the future reclamation of its work sites. Reclamation activities include the final soil cover, landscaping, and visual inspection. Although, the timing of the work site reclamation is conditional on the length of time until the site is expected to be inactive, regulations create an existing obligation for the Municipal District to reclaim the work site when the asset retirement activity occur.

	2025	2024
Balance, Beginning of Year	**$ 3,331,861**	$ 3,207,483
Net Change for the Year		
Accretion expense	**104,338**	99,868
Revision in estimates	**25,130**	24,510
	129,468	124,378
Balance, End of Year	**$ 3,461,329**	$ 3,331,861

Asset retirement obligations of $3,461,329 (2024 - $3,331,861) include $2,435,984 (2024 - $2,331,646) measured using a present value technique. The present value was calculated using estimated total undiscounted cash flow amounting to $2,951,500 (2024 - $2,951,500), discount rates ranging from 4.47% to 4.90% (2024 - 4.47% to 4.90%), with retirement and reclamation activities expected to be settled between 2030 and 2070. The remaining obligations of $1,025,345 (2024 - $1,000,215) are measured at the current cost due to the uncertainty about when the retirement and reclamation activities are expected to occur.

15. LONG-TERM DEBT

	2025	2024
Self-supported debentures - operating	**$ 625,462**	$ 755,316
Debt charges recoverable *(Note 7)*	**423,651**	699,157
	1,049,113	1,454,473
Less: Current portion	**(416,430)**	(405,360)
	$ 632,683	$ 1,049,113

The current portion of the long-term debt amounts to $416,430 (2024 - $405,360).

(CONT'D)

15. LONG-TERM DEBT (CONT'D)

Principal and interest repayments:

	Principal	Interest	Total
2026	$ 416,430	$ 31,901	$ 448,331
2027	283,805	20,482	304,287
2028	147,216	13,028	160,244
2029	153,507	6,737	160,244
2030	48,155	1,393	49,548
	$ 1,049,113	$ 73,541	$ 1,122,654

Debenture debt is repayable to the Province of Alberta bearing interest at rates ranging from 1.995% and 4.395% per annum maturing in the year 2027 and 2030.

Debenture debt is issued on the credit and security of the Municipal District at large.

The proceeds from the housing debenture was used to fund a loan to the Lesser Slave Lake Regional Housing Authority for the purpose of re-financing capital construction costs on a senior's facility in the Town of Slave Lake. The interest rate on this debenture is 1.995%. A loan agreement was entered into in 2017 and was recorded as debt charges recoverable at an interest rate of 2.495% and is secured by way of mortgage on the capital property. Both the debenture and the debt charges recoverable will mature on June 15, 2027.

Interest on long-term debt amounted to $42,132 (2024 - $58,062).

The Municipal District's total cash payments for interest is $42,971 (2024 - $62,205).

16. 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 Municipal District be disclosed as follows:

	2025	2024
Total debt limit	**$ 42,102,366**	$ 34,043,772
Total debt	**(1,049,113)**	(1,454,473)
Amount of total debt limit unused	**$ 41,053,253**	$ 32,589,299
Debt servicing limit	**$ 7,017,061**	$ 5,673,962
Debt servicing	**(448,331)**	(448,331)
Amount of debt servicing limit unused	**$ 6,568,730**	$ 5,225,631

The debt limit is calculated at 1.50 times revenue of the Municipal District (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 Municipal District. Rather, the financial statements must be interpreted as a whole.

17. INVENTORY FOR CONSUMPTION

	2025	2024
Gravel	**$ 1,342,816**	$ 1,681,414
Transportation materials	**440,979**	486,408
Wastewater supplies and materials	**297,700**	-
ASB chemicals	**28,004**	38,119
Water supplies and materials	**9,196**	290,491
	$ 2,118,695	$ 2,496,432

18. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital assets *(Schedule 1)*	**$ 232,645,499**	$ 227,275,772
Accumulated amortization *(Schedule 1)*	**(154,273,326)**	(150,082,910)
Asset retirement obligations *(Note 14)*	**(3,461,329)**	(3,331,861)
	$ 74,910,844	$ 73,861,001

19. ACCUMULATED SURPLUS

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

	2025	2024
Unrestricted surplus	**$ 9,580,861**	$ 2,476,111
Restricted surplus		
Operating		
Working capital - general	**2,935,982**	2,629,938
Financial management	**788,250**	702,271
Water services contingency	**415,780**	266,651
Wildfire recovery	**400,000**	316,856
Transportation	**325,000**	391,888
Building	**300,000**	274,033
Wastewater services contingency	**250,000**	92,268
Drainage	**100,000**	47,997
Municipal-in-lieu	**67,687**	52,997
ASB - weed spraying	**25,000**	17,087
Regional development	**20,000**	5,760
	$ 5,627,699	$ 4,797,746

(CONT'D)

19. ACCUMULATED SURPLUS (CONT'D)

Restricted surplus		
Capital		
Transportation	**$ 5,919,268**	$ 8,811,101
General capital	**2,270,515**	1,852,744
Vehicle	**2,034,205**	2,229,238
Equipment replacement	**1,533,772**	435,907
Water services construction	**1,216,399**	1,223,979
Buildings and facilities	**1,138,154**	1,144,909
Wastewater services construction	**1,081,766**	714,168
Flood mitigation	**1,078,730**	1,000,000
Culverts / bridges	**837,425**	1,000,000
Fire protection	**500,000**	180,046
Disaster recovery	**500,000**	424,855
Stormwater	**450,000**	424,855
Economic development - VIC	**260,000**	258,348
Cultural	**140,000**	132,631
Recreation	**125,000**	105,296
Harbour / boat launch	**48,558**	106,660
Landfill	**30,411**	39,589
EDP equipment	**-**	39,897
	$ 19,164,203	$ 20,124,223
Equity in tangible capital assets *(Note 18)*	**$ 74,910,844**	$ 73,861,001
Accumulated surplus from operations	**109,283,607**	101,259,081
Accumulated remeasurement gains (losses)	**-**	12,500
	$109,283,607	$101,271,581

20. LOCAL AUTHORITIES PENSION PLAN

Employees of the Municipal District 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 Municipal District 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 Municipal District 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 Municipal District to the LAPP in 2025 were $358,391 (2024 - $321,350). Total current and past service contributions made by the employees of the Municipal District to the LAPP in 2025 were $318,783 (2024 - $286,018).

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

21. CONTINGENCIES

The Municipal District is a member of the Alberta Local Authorities Genesis Reciprocal Insurance Exchanged program. Under the terms of the memberships, the Municipal District 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.

From time to time, the Municipal District may become involved in various legal disputes. It is not possible to estimate the outcome of these disputes, however, management believes that there will be no significant adverse effects on the financial position of the Municipal District related to ongoing matters.

22. FINANCIAL RISK MANAGEMENT

The Municipal District's financial instruments consist of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, loans receivable, debt charges recoverable, investments, accounts payable and accrued liabilities, deposit liabilities, and long-term debt. It is management's opinion that the Municipal District is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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

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

23. SALARIES AND BENEFITS DISCLOSURE

Disclosure of remuneration and benefits for elected municipal officials, the chief administrative officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary[1]	Benefits, Travel and Allowances[2]	**2025 Total**	2024 Total
Elected Officials:				
Brad Pearson	$ 57,044	$ 250	**$ 57,294**	$ 61,976
Murray Kerik (Reeve)	50,776	250	**51,026**	50,677
Sandra Melzer	47,864	250	**48,114**	47,514
Norm Seatter	44,054	250	**44,304**	43,899
Lester Vanhill	8,374	250	**8,624**	-
Thomas Snowden	8,034	250	**8,284**	-
Richard Colborne	8,034	250	**8,284**	-
Former Elected Officials:				
Lana McCann	35,400	-	**35,400**	43,502
Nancy Sand	31,670	-	**31,670**	39,133
Darren Fulmore	29,630	-	**29,630**	43,241
	$ 320,880	$ 1,750	**$ 322,630**	$ 329,942

(CONT'D)

23. SALARIES AND BENEFITS DISCLOSURE (CONT'D)

Chief Administrative Officer	$ 216,054	$ 6,390	**$ 222,444**	211,172
Designated Officer (contract)	143,776	-	**143,776**	137,020
	$ 359,830	$ 6,390	**$ 366,220**	$ 348,192

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

[2] Benefits and allowances include employer's share of all employee benefits, travel and allowances or payments made on behalf of employees including travel and subsistence, pension, health care, dental coverage, vision coverage, group life disability plans, professional memberships and tuition.

24. SEGMENTED INFORMATION

Segmented information has been identified based upon lines of service provided by the Municipal District. Municipal District services are provided by departments and their activities are reported by functional area in the body of the consolidated financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government

Administration is responsible for the administration of the Municipal District as a whole. Administration includes assessments services, financial services, records management, general administration as well as management of the safety program.

Municipal District Council makes decisions regarding service delivery and service levels on behalf of the Municipal District in order to balance the needs and wants of Municipal District residents in a financially responsible manner.

(b) Protective Services

Protective services is comprised of enforcement services, fire, disaster and emergency management. Enforcement services provide bylaw enforcement that ranges from community standards, to traffic safety, to animal control as well as provincial statute enforcement with authorities granted by the Solicitor General of Alberta. Fire services is responsible to provide fire suppression services; fire prevention programs; training and education related to fire prevention; and detection or extinguishments of fires. The mandate of emergency management to help maintain safe communities and public safety in disaster situations.

(c) Transportation Services

Transportation provides and maintains a safe and reliable road network for the travelling public. Transportation is responsible for winter and summer road and bridge maintenance. The Municipal District's road construction program operates through the summer months.

(d) Environmental Use and Protection

The Municipal District is responsible for environmental programs such as the engineering and operation of water, and wastewater systems and waste management. This includes water conservation, efficiency and protection and promoting green construction, energy and technology.

(CONT'D)

24. SEGMENTED INFORMATION (CONT'D)

(e) Planning and Development Services
Planning and development manages current and long term planning as well as subdivision and development permits.

(f) Recreation Services
Recreation services provides recreational and cultural services, activities that promote health and well-being of its citizens, and activities related to parks and libraries. Tourism and economic development are also included in this segment.

Certain allocation methodologies are employed in the preparation of segmented financial information. Net municipal taxes are unallocated to segments and are presented under general government 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.

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management on April 8, 2026.

26. BUDGET

The budget presented in these financial statements are based on the budget approved by Council on April 9, 2025 and December 18, 2024 (Motion 152-25 and Motion 704-24).

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.