

MUNICIPAL DISTRICT OF PEACE NO. 135
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 Peace No. 135

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

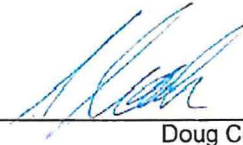
The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgements of management.

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 Peace No. 135 to express an opinion on the consolidated financial statements.



Brian Allen
Chief Administrative Officer



Doug Cooke
Director of Finance

Berwyn, AB
April 28, 2026



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INDEPENDENT AUDITORS' REPORT

To the Members of Council of Municipal District of Peace No. 135

Opinion

We have audited the consolidated financial statements of Municipal District of Peace No. 135 (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.

(continues)

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.

Edmonton, Alberta
April 28, 2026


**JDP Wasserman
LLP**
Chartered Professional Accountants

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Statement of Financial Position
As at December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and cash equivalents <i>(Note 2)</i>	\$ 2,439,861	\$ 1,557,814
Accounts receivable <i>(Note 3)</i>	1,858,350	1,278,392
Loan receivable <i>(Note 4)</i>	91,667	133,333
Land held for resale	17,194	17,194
Investments <i>(Note 5)</i>	6,809,795	7,004,669
	<u>11,216,867</u>	<u>9,991,402</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>(Note 6)</i>	461,389	299,211
Deposit liabilities	60,000	60,000
Deferred revenue <i>(Note 7)</i>	1,897,932	1,564,765
	<u>2,419,321</u>	<u>1,923,976</u>
NET FINANCIAL ASSETS	<u>8,797,546</u>	<u>8,067,426</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	107,758	83,971
Inventory for consumption	657,110	917,322
Tangible capital assets <i>(Schedule 1)</i>	16,234,506	16,663,769
	<u>16,999,374</u>	<u>17,665,062</u>
ACCUMULATED SURPLUS <i>(Note 9)</i>	<u>\$ 25,796,920</u>	<u>\$ 25,732,488</u>

CONTINGENCY *(Note 16)*

ON BEHALF OF COUNCIL:


 _____ Reeve


 _____ Councillor

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2025

	2025 (Budget) <i>(Note 13)</i>	2025 (Actual)	2024 (Actual)
REVENUES			
Net municipal property taxes <i>(Schedule 3)</i>	\$ 4,322,028	\$ 4,324,168	\$ 3,995,796
Government transfers for operating <i>(Schedule 4)</i>	350,005	366,315	374,705
Investment income	260,052	277,797	349,264
User fees and sales of goods	167,700	206,931	176,688
Other revenues	56,260	126,566	66,978
Penalties and costs on taxes	100,000	96,185	112,398
Rentals	40,295	47,499	35,561
Fines	1,130	2,000	2,300
Licenses and permits	2,650	1,910	2,000
	<u>5,300,120</u>	<u>5,449,371</u>	<u>5,115,690</u>
EXPENSES			
Roads, streets, walks, lighting	2,353,140	2,290,449	2,393,685
General administration	993,566	1,021,537	1,212,163
Parks and recreation	809,753	800,623	694,612
Agricultural development	608,360	604,450	558,447
Fire fighting and protective services	410,360	401,287	347,101
Council and legislative	252,000	231,192	253,199
Water and wastewater	180,539	171,486	134,427
Land use planning, zoning and development	101,283	95,107	95,633
Family and community support services	64,970	64,970	69,220
Waste management	61,890	49,630	60,430
Economic development	32,670	35,725	32,670
Culture	30,193	29,198	30,193
Cemeteries	15,000	9,869	12,176
Bylaw enforcement	10,500	60	8,732
	<u>5,924,224</u>	<u>5,805,583</u>	<u>5,902,688</u>
ANNUAL DEFICIT BEFORE OTHER	<u>(624,104)</u>	<u>(356,212)</u>	<u>(786,998)</u>
OTHER REVENUES (EXPENSES)			
Government transfers for capital <i>(Schedule 4)</i>	2,608,500	363,737	431,340
Gain (loss) on disposal of tangible capital assets	-	56,907	(26,320)
	<u>2,608,500</u>	<u>420,644</u>	<u>405,020</u>
ANNUAL SURPLUS (DEFICIT)	1,984,396	64,432	(381,978)
ACCUMULATED SURPLUS - TO BEGIN YEAR	<u>25,732,488</u>	<u>25,732,488</u>	<u>26,114,466</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 27,716,884</u>	<u>\$ 25,796,920</u>	<u>\$ 25,732,488</u>

MUNICIPAL DISTRICT OF PEACE NO. 135
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2025

	2025 (Budget) (Note 13)	2025 (Actual)	2024 (Actual)
ANNUAL SURPLUS (DEFICIT)	\$ 1,984,396	\$ 64,432	\$ (381,978)
Amortization of tangible capital assets	1,001,000	1,000,727	993,738
Purchase of tangible capital assets	(3,210,355)	(591,017)	(1,126,864)
Proceeds on disposal of tangible capital assets	-	76,460	175,000
Loss (gain) on disposal of tangible capital assets	-	(56,907)	26,320
Use (acquisition) of prepaid expenses	-	(23,787)	6,401
Use of inventory for consumption	-	260,212	(551,942)
	<u>(2,209,355)</u>	<u>665,688</u>	<u>(477,347)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(224,959)	730,120	(859,325)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	<u>8,067,426</u>	<u>8,067,426</u>	<u>8,926,751</u>
NET FINANCIAL ASSETS - END OF YEAR	<u>\$ 7,842,467</u>	<u>\$ 8,797,546</u>	<u>\$ 8,067,426</u>

MUNICIPAL DISTRICT OF PEACE NO. 135

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 64,432	\$ (381,978)
Item not affecting cash and cash equivalents:		
Amortization of tangible capital assets	1,000,727	993,738
Loss (gain) on disposal of tangible capital assets	(56,907)	26,320
	<u>1,008,252</u>	<u>638,080</u>
Changes in non-cash working capital:		
Accounts receivable	(579,958)	(17,174)
Loan receivable	41,666	33,334
Accounts payable and accrued liabilities	162,178	(97,897)
Deferred revenue	333,167	135,498
Prepaid expenses	(23,787)	6,401
Inventory for consumption	260,212	(551,942)
	<u>193,478</u>	<u>(491,780)</u>
Cash flow from operating activities	<u>1,201,730</u>	<u>146,300</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(591,017)	(1,126,864)
Proceeds on disposal of tangible capital assets	76,460	175,000
Net change in investments	194,874	234,542
	<u>(319,683)</u>	<u>(717,322)</u>
Cash flow used by investing activities	<u>(319,683)</u>	<u>(717,322)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	882,047	(571,022)
Cash and cash equivalents - beginning of year	<u>1,557,814</u>	<u>2,128,836</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,439,861	\$ 1,557,814

MUNICIPAL DISTRICT OF PEACE NO. 135

Schedule of Tangible Capital Assets

For the Year Ended December 31, 2025

(Schedule 1)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2025	2024
COST								
BALANCE, BEGINNING OF YEAR	\$ 710,218	\$ 472,099	\$ 3,538,348	\$ 14,564,221	\$ 5,369,726	\$ 2,300,952	\$ 26,955,564	\$ 26,332,000
Purchase of tangible capital assets	-	-	-	236,178	142,910	211,929	591,017	1,126,864
Disposal of tangible capital assets	-	-	-	-	(95,132)	(137,175)	(232,307)	(503,300)
BALANCE, END OF YEAR	\$ 710,218	\$ 472,099	\$ 3,538,348	\$ 14,800,399	\$ 5,417,504	\$ 2,375,706	\$ 27,314,274	\$ 26,955,564
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	\$ -	\$ 287,584	\$ 1,085,618	\$ 4,964,258	\$ 2,859,458	\$ 1,094,877	\$ 10,291,795	\$ 9,600,037
Amortization of tangible capital assets	-	20,968	71,706	297,170	478,204	132,679	1,000,727	993,738
Disposal of tangible capital assets	-	-	-	-	(90,232)	(122,522)	(212,754)	(301,980)
BALANCE, END OF YEAR	\$ -	\$ 308,552	\$ 1,157,324	\$ 5,261,428	\$ 3,247,430	\$ 1,105,034	\$ 11,079,768	\$ 10,291,795
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 710,218	\$ 163,547	\$ 2,381,024	\$ 9,538,971	\$ 2,170,074	\$ 1,270,672	\$ 16,234,506	\$ 16,663,769
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS, 2024	\$ 710,218	\$ 184,515	\$ 2,452,730	\$ 9,599,963	\$ 2,510,268	\$ 1,206,075		\$ 16,663,769

Included in the net book value of tangible capital assets is work-in-progress of \$39,776 (2024 - \$103,539).

MUNICIPAL DISTRICT OF PEACE NO. 135
Schedule of Equity in Tangible Capital Assets
For the Year Ended December 31, 2025

(Schedule 2)

	<u>2025</u>	<u>2024</u>
BALANCE, BEGINNING OF YEAR	\$ 16,663,769	\$ 16,731,963
Purchase of tangible capital assets	591,017	1,126,864
Amortization of tangible capital assets	(1,000,727)	(993,738)
Cost of tangible capital assets disposed of	(232,307)	(503,300)
Accumulated amortization of tangible capital assets disposed	212,754	301,980
BALANCE, END OF YEAR	<u>\$ 16,234,506</u>	<u>\$ 16,663,769</u>
Equity in tangible capital assets is comprised of:		
Net book value of tangible capital assets <i>(Schedule 1)</i>	<u>\$ 16,234,506</u>	<u>\$ 16,663,769</u>

MUNICIPAL DISTRICT OF PEACE NO. 135

Schedule of Property Taxes

(Schedule 3)

For the Year Ended December 31, 2025

	2025 (Budget) <i>(Note 13)</i>	2025 (Actual)	2024 (Actual)
TAXATION			
Real property taxes	\$ 3,683,131	\$ 3,685,277	\$ 3,481,645
Designated industrial property taxes	1,151,386	1,151,386	1,022,560
Government grants in lieu of property taxes	663,299	663,299	598,269
	<u>\$ 5,497,816</u>	<u>\$ 5,499,962</u>	<u>\$ 5,102,474</u>
Alberta School Foundation Fund	\$ 990,088	\$ 990,088	\$ 923,413
North Peace Housing Foundation	180,330	180,330	178,040
Designated Industrial Property	5,370	5,376	5,225
	<u>\$ 1,175,788</u>	<u>\$ 1,175,794</u>	<u>\$ 1,106,678</u>
NET MUNICIPAL PROPERTY TAXES	<u>\$ 4,322,028</u>	<u>\$ 4,324,168</u>	<u>\$ 3,995,796</u>

MUNICIPAL DISTRICT OF PEACE NO. 135

Schedule of Government Transfers

(Schedule 4)

For the Year Ended December 31, 2025

	2025 (Budget) (Note 13)	2025 (Actual)	2024 (Actual)
TRANSFERS FOR OPERATING			
Provincial government	\$ 344,505	\$ 344,505	\$ 344,505
Local government	1,000	18,000	26,000
Federal government	4,500	3,810	4,200
	<u>\$ 350,005</u>	<u>\$ 366,315</u>	<u>\$ 374,705</u>
TRANSFERS FOR CAPITAL			
Provincial government	\$ 2,608,500	\$ 363,737	\$ 431,340
TOTAL GOVERNMENT TRANSFERS	<u>\$ 2,958,505</u>	<u>\$ 730,052</u>	<u>\$ 806,045</u>

MUNICIPAL DISTRICT OF PEACE NO. 135

Schedule of Expenses by Object

(Schedule 5)

For the Year Ended December 31, 2025

	2025 (Budget) (Note 13)	2025 (Actual)	2024 (Actual)
Salaries, wages and benefits	\$ 1,839,272	\$ 1,792,002	\$ 1,732,447
Contracted and general services	1,057,491	1,107,224	1,271,215
Amortization of tangible capital assets	1,001,000	1,000,727	993,738
Materials, goods and utilities	972,214	862,479	905,203
Transfers to other governments	863,081	851,134	832,663
Transfers to individuals and organizations	167,116	156,026	157,575
Transfers to local boards and agencies	22,800	22,800	17,500
Provision for allowances (recoveries)	-	12,183	(8,829)
Bank charges and short-term interest	1,250	1,008	1,176
	<u>\$ 5,924,224</u>	<u>\$ 5,805,583</u>	<u>\$ 5,902,688</u>

MUNICIPAL DISTRICT OF PEACE NO. 135

Schedule of Segmented Disclosure

For the Year Ended December 31, 2025

(Schedule 6)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2025
REVENUES								
Net municipal property taxes	\$ 682,785	\$ 289,805	\$ 1,978,011	\$ -	\$ 21,063	\$ 550,501	\$ 802,003	\$ 4,324,168
Government transfers for operating	126,282	18,000	-	-	51,976	170,057	-	366,315
Investment income	264,925	-	-	-	-	-	12,872	277,797
User fees and sales of goods	8,063	48,241	59,886	73,442	1,800	10,713	4,786	206,931
Other revenues	37,478	43,451	36,475	1,300	-	1,707	6,155	126,566
Penalties and costs on taxes	96,185	-	-	-	-	-	-	96,185
Rentals	36,780	-	6,239	-	-	475	4,005	47,499
Fines	650	1,350	-	-	-	-	-	2,000
Licenses and permits	-	80	-	-	-	1,830	-	1,910
	\$ 1,253,148	\$ 400,927	\$ 2,080,611	\$ 74,742	\$ 74,839	\$ 735,283	\$ 829,821	\$ 5,449,371
EXPENSES								
Salaries, wages and benefits	\$ 623,124	\$ 329	\$ 687,015	\$ 49,711	\$ 7,306	\$ 330,751	\$ 93,766	\$ 1,792,002
Contracted and general services	281,617	106,018	515,346	49,533	-	121,445	33,265	1,107,224
Materials, goods and utilities	175,748	29,587	427,866	32,550	63	122,292	74,373	862,479
Transfers to other governments	45,212	158,623	-	2,517	64,970	32,670	547,142	851,134
Transfer to individuals & organizations	45,710	20,000	-	49,530	2,500	17,210	21,076	156,026
Transfers to local boards and agencies	-	-	-	-	-	22,800	-	22,800
Provision for allowances	12,183	-	-	-	-	-	-	12,183
Bank charges and short-term interest	1,008	-	-	-	-	-	-	1,008
	1,184,602	314,557	1,630,227	183,841	74,839	647,168	769,622	4,804,856
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ 68,546	\$ 86,370	\$ 450,384	\$ (109,099)	\$ -	\$ 88,115	\$ 60,199	\$ 644,515
Amortization of tangible capital assets	\$ 68,546	\$ 86,370	\$ 660,222	\$ 37,275	\$ -	\$ 88,115	\$ 60,199	\$ 1,000,727
NET REVENUE (DEFICIT)	\$ -	\$ -	\$ (209,838)	\$ (146,374)	\$ -	\$ -	\$ -	\$ (356,212)

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

MUNICIPAL DISTRICT OF PEACE NO. 135

Schedule of Segmented Disclosure

For the Year Ended December 31, 2024

(Schedule 7)

	General government	Protective services	Transportation services	Environmental services	Health and welfare	Planning and development	Recreation and culture	2024
REVENUES								
Net municipal property taxes	\$ 858,810	\$ 283,351	\$ 1,618,781	\$ -	\$ 27,620	\$ 506,600	\$ 700,634	\$ 3,995,796
Government transfers for operating	126,282	26,000	-	-	51,976	170,447	-	374,705
Investment income	330,775	-	-	-	-	-	18,489	349,264
User fees and sales of goods	5,957	35,761	52,147	72,552	1,800	5,938	2,533	176,688
Penalties and costs on taxes	112,398	-	-	-	-	-	-	112,398
Other revenues	1,278	8,521	54,515	900	-	1,639	125	66,978
Rentals	29,564	-	2,647	-	-	325	3,025	35,561
Fines	300	2,000	-	-	-	-	-	2,300
Licenses and permits	-	200	-	-	-	1,800	-	2,000
	<u>\$ 1,465,364</u>	<u>\$ 355,833</u>	<u>\$ 1,728,090</u>	<u>\$ 73,452</u>	<u>\$ 81,396</u>	<u>\$ 686,749</u>	<u>\$ 724,806</u>	<u>\$ 5,115,690</u>
EXPENSES								
Salaries, wages and benefits	\$ 653,539	\$ 89	\$ 670,498	\$ 12,438	\$ 7,019	\$ 305,701	\$ 83,163	\$ 1,732,447
Contracted and general services	465,518	45,901	591,339	19,695	-	124,000	24,762	1,271,215
Materials, goods and utilities	201,105	43,546	463,383	52,568	157	101,960	42,484	905,203
Transfers to other governments	44,062	161,352	-	24,982	69,220	32,670	500,377	832,663
Transfer to individuals & organizations	37,446	28,375	-	50,379	5,000	17,780	18,595	157,575
Transfers to local boards and agencies	-	-	-	-	-	17,500	-	17,500
Bank charges and short-term interest	1,176	-	-	-	-	-	-	1,176
Provision for allowances	(8,829)	-	-	-	-	-	-	(8,829)
	<u>1,394,017</u>	<u>279,263</u>	<u>1,725,220</u>	<u>160,062</u>	<u>81,396</u>	<u>599,611</u>	<u>669,381</u>	<u>4,908,950</u>
NET REVENUE (DEFICIT) BEFORE AMORTIZATION OF TANGIBLE CAPITAL ASSETS	\$ 71,347	\$ 76,570	\$ 2,870	\$ (86,610)	\$ -	\$ 87,138	\$ 55,425	\$ 206,740
Amortization of tangible capital assets	\$ 71,347	\$ 76,570	\$ 668,464	\$ 34,794	\$ -	\$ 87,138	\$ 55,425	\$ 993,738
NET REVENUE (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (665,594)</u>	<u>\$ (121,404)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (786,998)</u>

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

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

1. ACCOUNTING POLICIES

The consolidated financial statements of Municipal District of Peace No. 135 (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 amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. 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)

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

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:

Land improvements	20 years
Buildings	50 years
Engineered structures:	
Bridges	variable
Water system	60 years
Wastewater system	60 years
Other	30 - 40 years
Machinery and equipment	5 - 20 years
Vehicles	10 - 15 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)

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

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, tangible capital asset useful lives and well as provisions made for allowances for amounts receivable or any provision for impairment.

(continues)

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

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
Bank accounts	\$ 2,345,344	\$ 1,352,988
Temporary investments	93,917	204,226
Pety cash / floats	600	600
	\$ 2,439,861	\$ 1,557,814

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.

To access funds from certain bank accounts and temporary investment accounts requires notice of 31 to 90 days.

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

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

3. ACCOUNTS RECEIVABLE

	2025	2024
Receivable from other governments	\$ 1,407,947	\$ 732,183
Taxes and grants in place of taxes	380,860	333,075
Accrued interest	42,445	163,109
Trade and other	12,570	35,994
Goods and Services Tax recoverable	16,662	18,882
Utility accounts	3,018	1,817
	1,863,502	1,285,060
Less: allowance for doubtful accounts	(5,152)	(6,668)
	\$ 1,858,350	\$ 1,278,392

4. LOAN RECEIVABLE

Loan to North Peace Housing Foundation has a variable interest rate equal to the ATB prime lending rate. The loan is repayable in quarterly principal payments of \$8,333 plus interest. The loan is expected to mature in October 2028.

5. INVESTMENTS

	2025 Market Value	2025 Cost	2024 Market Value	2024 Cost
Bonds	\$ 6,383,855	\$ 6,354,287	\$ 5,772,064	\$ 5,806,571
GICs	445,000	445,000	1,192,500	1,192,500
UFA Co-op Ltd. shares	10,508	10,508	5,598	5,598
	\$ 6,839,363	\$ 6,809,795	\$ 6,970,162	\$ 7,004,669

Investments bear interest at rates ranging from 2.15% to 5.40% (2024 - 2.05% - 5.40%) per annum and mature at dates between February 2026 - June 2037 (2024 - May 2025 - June 2037).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade and other	\$ 335,458	\$ 196,493
Employee earned vacation, sick and benefits liability	107,329	84,116
Landfill closure and post-closure liability	18,602	18,602
	\$ 461,389	\$ 299,211

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

7. 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	\$ 999,247	\$ 832,510
Local Government Fiscal Framework - Capital	475,891	48,374
Municipal Sustainability Initiative - Capital	418,308	667,639
Other	4,486	16,242
	\$ 1,897,932	\$ 1,564,765

8. 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	\$ 8,174,057	\$ 7,673,535
Total debt	-	-
	\$ 1,362,343	\$ 1,278,923
Service on debt limit	\$ 1,362,343	\$ 1,278,923
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.

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

9. ACCUMULATED SURPLUS

	2025	2024
Unrestricted surplus	\$ 748,338	\$ 1,029,195
Restricted surplus		
Operating reserves (Note 10)	448,107	356,107
Capital reserves (Note 10)	8,365,969	7,683,417
Equity in tangible capital assets (Schedule 2)	16,234,506	16,663,769
	\$ 25,796,920	\$ 25,732,488

10. RESTRICTED SURPLUS

	2025	2024
Operating Reserves		
Tax rate stabilization	\$ 255,600	\$ 255,600
Brownvale water and sewer	75,507	507
Fire services	67,000	50,000
Economic development	50,000	50,000
	\$ 448,107	\$ 356,107
Capital Reserves		
Public works	\$ 4,965,221	\$ 3,965,221
Recreation - other	809,088	809,088
Fire services	678,244	780,466
Agricultural Service Board	600,997	600,997
Hamlet of Brownvale	519,862	754,000
Recreation - public reserve for parks and recreation	377,182	358,270
Environment	250,000	250,000
Garbage	90,000	90,000
Administration	75,375	75,375
	\$ 8,365,969	\$ 7,683,417

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

11. 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 Willing	\$ 39,925	\$ 4,243	\$ 44,168	\$ 47,015
Councillors				
Johnson	39,239	4,182	43,421	42,257
Eastman	29,904	3,159	33,063	39,550
Kinnee	27,707	2,919	30,626	32,862
Herlinveaux	27,650	2,903	30,553	29,446
Chief Administrative Officer				
Allen	94,103	17,633	111,736	-
Bunn	51,606	-	51,606	-
McClarty	29,252	7,566	36,818	150,264
Designated Officers				
Director of Legislative Services	82,356	17,085	99,441	104,796
Contracted Assessor	52,904	-	52,904	50,407
	<u>\$ 474,646</u>	<u>\$ 59,690</u>	<u>\$ 534,336</u>	<u>\$ 496,597</u>

(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.

12. 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 2024 were \$95,582 (2024 - \$86,421). Total current and past service contributions by employees of the MD to the LAPP in 2024 were \$88,435 (2024 - \$77,007).

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

MUNICIPAL DISTRICT OF PEACE NO. 135
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

13. BUDGET FIGURES

	2025 (Budget)	2025 (Actual)
Annual surplus (deficit)	\$ 1,984,396	\$ 64,432
Acquisition of tangible capital assets	(3,210,355)	(591,017)
Net transfers (to) from reserves	-	(774,552)
Funding acquisition of tangible capital assets	428,500	-
Other net transfers from reserves	173,355	-
Other net transfers to reserves	624,104	-
Results of operations	\$ -	\$ (1,301,137)

The budget data presented in these consolidated financial statements is based on the operating and capital budgets approved by MD Council on March 25, 2025. The chart above reconciles the approved financial plan to the figures reported in these consolidated financial statements.

14. FINANCIAL INSTRUMENTS

The MD's financial instruments consist of cash and cash equivalents, investments, accounts receivable, loan 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.

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.

15. 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*).

16. CONTINGENCY

The MD is a member of the Genesis 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.

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Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

17. 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	Receipts less disbursements	Interest earned	Ending
Northern Alberta Elected Leaders	\$ 10,147	\$ 9,975	\$ 423	\$ 20,545
Tax sale surplus	12,311	-	433	12,744
	<u>\$ 22,458</u>	<u>\$ 9,975</u>	<u>\$ 856</u>	<u>\$ 33,289</u>

18. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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