

TOWN OF GRIMSHAW
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

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Management's Responsibility

To the Members of Council:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. 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 responsibilities for the integrity and fairness of the consolidated 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 consolidated financial statements.

The Town Council is composed entirely of Councilors who are neither management nor employees of the Town. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Council is also responsible for the appointment of the Town's external auditors.

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

April 22, 2026

A handwritten signature in black ink, appearing to read "Alan Lewis", is written over a horizontal line.

Chief Administrative Officer

To the Council of Town Of Grimshaw:

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Town Of Grimshaw (the "Municipality"), 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipality as at December 31, 2025, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Canadian public sector accounting standards ("PSAS") Section PS 3280 Asset Retirement Obligations ("ARO") which was adopted by the Municipality as of January 1, 2023 requires the recognition of an ARO liability when there is a legal obligation to a tangible capital asset. The Municipality has not identified ARO liabilities as of December 31, 2025 and we were unable to satisfy ourselves concerning those liabilities by alternative means. Consequently, we were not able to determine whether any adjustments would be necessary to liabilities, net financial assets, tangible capital assets, accumulated surplus, expenses, excess (deficit) of revenue over expenses, change in net financial assets for the years-ended December 31, 2025 and 2024, and accumulated surplus as of January 1, 2024 and December 31, 2025 and 2024.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 qualified 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 Municipality'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 Municipality or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 Municipality'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 Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Municipality 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.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

In accordance with Alberta regulation 255/2000, we confirm that the Municipality is in compliance with the Debt Limit Regulation. A detailed account of the Municipality's debt limit can be found in note 7.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta regulation 313/2000, we confirm that the Municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation.

Peace River, Alberta

April 22, 2026

MNP LLP

Chartered Professional Accountants

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025**

	2025 \$	2024 \$
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	<u>7,286,896</u>	<u>7,761,154</u>
Receivables		
Taxes and grants in lieu of taxes (Note 3)	111,012	127,770
Trade and other receivables	797,835	608,550
Land held for resale	87,986	88,453
Other financial assets	<u>2,599</u>	<u>2,599</u>
	<u>8,286,328</u>	<u>8,588,526</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	473,582	664,261
Deferred revenue (Note 5)	461,437	287,989
Long term debt (Note 6)	<u>501,371</u>	<u>549,523</u>
	<u>1,436,390</u>	<u>1,501,773</u>
NET FINANCIAL ASSETS	<u>6,849,938</u>	<u>7,086,753</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	26,114,672	25,847,484
Prepaid expenses	<u>223,653</u>	<u>281,995</u>
	<u>26,338,325</u>	<u>26,129,479</u>
ACCUMULATED SURPLUS (Note 9)	<u>33,188,263</u>	<u>33,216,232</u>

Commitments and contingencies - See Note 13 and 14

Approved by

Mayor

Chief Administrative Officer

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget \$	2025 \$	2024 \$
REVENUE			
Net municipal property taxes (Schedule 3)	2,339,084	2,312,756	2,501,287
User fees and sale of goods	2,385,787	2,360,825	2,417,266
Government transfers for operating (Schedule 4)	404,839	404,839	404,839
Investment income	250,000	256,448	367,168
Penalties and costs on taxes	81,827	69,916	78,936
Gain on disposal of capital assets	-	-	-
Other revenues	1,015,791	910,540	1,060,544
Total revenues	6,477,328	6,315,324	6,830,040
EXPENSES			
Operating			
Legislative	134,580	144,917	93,077
Administration	1,162,886	1,200,507	1,056,424
Fire and bylaws enforcement	434,794	418,985	459,508
Roads, streets, walks and lighting	1,168,762	1,977,267	1,792,702
Water and wastewater	350,490	496,729	487,364
Waste management	306,302	300,921	304,223
Subdivision land development	329,254	307,700	439,346
Recreation, parks and culture	1,917,380	2,278,759	2,246,056
Total Expenses	5,804,448	7,125,785	6,878,700
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - BEFORE OTHER	672,880	(810,461)	(48,660)
OTHER			
Government transfers for capital (Schedule 4)	-	782,492	665,981
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	672,880	(27,969)	617,321
ACCUMULATED SURPLUS, BEGINNING OF YEAR	33,216,232	33,216,232	32,598,911
ACCUMULATED SURPLUS, END OF YEAR	33,889,112	33,188,263	33,216,232

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Budget \$	2025 \$	2024 \$
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENSES	672,880	(27,969)	617,321
Acquisition of tangible capital assets	-	(1,760,687)	(1,222,831)
Proceeds on disposal of tangible capital assets	-	-	-
Amortization of tangible capital assets	-	1,493,499	1,418,984
(Gain) on sale of tangible capital assets	-	-	-
	<hr/>	<hr/>	<hr/>
	-	(267,188)	196,153
Acquisition of prepaid assets	-	(223,653)	(281,995)
Use of prepaid assets	-	281,995	162,115
	<hr/>	<hr/>	<hr/>
	-	58,342	(119,880)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	672,880	(236,815)	693,594
NET FINANCIAL ASSETS, BEGINNING OF YEAR	<u>7,086,753</u>	<u>7,086,753</u>	<u>6,393,159</u>
NET FINANCIAL ASSETS, END OF YEAR	<u><u>7,759,633</u></u>	<u><u>6,849,938</u></u>	<u><u>7,086,753</u></u>

**TOWN OF GRIMSHAW
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	2025 \$	2024 \$
	<hr/>	<hr/>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenues over expenses	(27,969)	617,321
Gain on sale of capital assets	-	-
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	1,493,499	1,418,984
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	16,758	(5,991)
Decrease (increase) in trade and other receivables	(189,285)	437,274
Decrease (increase) in prepaid expenses	58,342	(119,880)
Decrease (increase) in land held for resale	467	57,330
Decrease (increase) in other financial assets	-	-
Increase (decrease) in accounts payable and accrued liabilities	(190,679)	183,734
Increase (decrease) in deferred revenue	173,448	201,527
Cash provided by operating transactions	<u>1,334,581</u>	<u>2,790,299</u>
CAPITAL		
Acquisition of tangible capital assets	(1,760,687)	(1,222,831)
Sale of tangible capital assets	-	-
Cash applied to capital transactions	<u>(1,760,687)</u>	<u>(1,222,831)</u>
INVESTING		
Decrease (increase) in investments	<u>736,283</u>	<u>(1,686,047)</u>
FINANCING		
New debt issued	-	-
Long-term debt repaid	<u>(48,152)</u>	<u>(47,436)</u>
	<u>(48,152)</u>	<u>(47,436)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	262,025	(166,015)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(52,187)</u>	<u>113,828</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>209,838</u></u>	<u><u>(52,187)</u></u>
See accompanying notes to the financial statements		
	2025 \$	2024 \$
	<hr/>	<hr/>
Cash and cash equivalents is made up of:		
Cash and temporary investments (Note 2)	7,286,896	7,761,154
Less: short-term and long-term investments (Note 2)	<u>(7,077,058)</u>	<u>(7,813,341)</u>
	<u><u>209,838</u></u>	<u><u>(52,187)</u></u>

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE 1**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2025 \$	2024 \$
BALANCE, BEGINNING OF YEAR	<u>3,821,025</u>	<u>4,097,246</u>	<u>25,297,961</u>	<u>33,216,232</u>	<u>32,598,911</u>
Excess (deficiency) of revenues over expenses	(27,969)	-	-	(27,969)	617,321
Unrestricted funds designated for future use	(824,380)	824,380	-	-	-
Restricted funds used for operations	1,188,728	(1,188,728)	-	-	-
Current year funds used for tangible capital assets	(1,760,687)	-	1,760,687	-	-
Disposal of assets (at nbv)	-	-	-	-	-
Annual amortization expense	1,493,499	-	(1,493,499)	-	-
New debt issued	-	-	-	-	-
Long term debt repaid	<u>(48,152)</u>	<u>-</u>	<u>48,152</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>21,039</u>	<u>(364,348)</u>	<u>315,340</u>	<u>(27,969)</u>	<u>617,321</u>
BALANCE, END OF YEAR	<u>3,842,064</u>	<u>3,732,898</u>	<u>25,613,301</u>	<u>33,188,263</u>	<u>33,216,232</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE 2**

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2025 \$	2024 \$
COST:								
BALANCE, BEGINNING OF YEAR	612,793	427,524	17,034,576	54,374,351	2,542,574	1,501,401	76,493,219	75,270,388
Acquisition of tangible capital assets	-	-	124,063	1,080,913	555,711	-	1,760,687	1,222,831
Disposal of tangible capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	612,793	427,524	17,158,639	55,455,264	3,098,285	1,501,401	78,253,906	76,493,219
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	220,448	6,010,341	41,718,663	1,735,393	960,890	50,645,735	49,226,751
Annual amortization	-	15,898	349,398	852,916	182,125	93,162	1,493,499	1,418,984
Accumulated amortization on disposals	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	236,346	6,359,739	42,571,579	1,917,518	1,054,052	52,139,234	50,645,735
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	612,793	191,178	10,798,900	12,883,685	1,180,767	447,349	26,114,672	25,847,484
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	612,793	207,076	11,024,235	12,655,688	807,181	540,511	25,847,484	

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE 3**

	Budget \$	2025 \$	2024 \$
TAXATION			
Real property taxes	3,208,853	3,114,439	3,291,389
Linear property taxes	-	91,994	83,244
Government grants in place of property taxes	-	-	-
Local Improvements	-	-	-
	<u>3,208,853</u>	<u>3,206,433</u>	<u>3,374,633</u>
REQUISITIONS			
Alberta School Foundation Fund	637,802	659,442	637,802
Separate School Funding	89,149	91,837	89,149
Seniors Foundation	142,818	142,398	146,395
	<u>869,769</u>	<u>893,677</u>	<u>873,346</u>
NET MUNICIPAL TAXES	<u>2,339,084</u>	<u>2,312,756</u>	<u>2,501,287</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE 4**

	Budget \$	2025 \$	2024 \$
	<u> </u>	<u> </u>	<u> </u>
TRANSFERS FOR OPERATING:			
Local Government Fiscal Framework - Operating	323,042	323,042	323,042
Other Provincial Government	81,797	81,797	81,797
	<u>404,839</u>	<u>404,839</u>	<u>404,839</u>
TRANSFERS FOR CAPITAL:			
Local Government Fiscal Framework - Capital	-	731,690	665,981
Canada Community Building Fund	-	50,802	-
Other Provincial Government	-	-	-
	<u>-</u>	<u>782,492</u>	<u>665,981</u>
TOTAL GOVERNMENT TRANSFERS	<u>404,839</u>	<u>1,187,331</u>	<u>1,070,820</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF EXPENSES BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE 5**

	Budget \$	2025 \$	2024 \$
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	2,450,443	2,321,015	2,258,832
Contracted and general services	2,434,607	2,422,821	2,294,418
Materials, goods, supplies and utilities	714,220	709,057	706,910
Bank charges and short term interest	9,300	11,514	7,848
Interest on capital long-term debt	10,550	7,696	8,416
Amortization of tangible capital assets	-	1,493,499	1,418,984
Other expenses	185,328	160,183	183,292
	<u>5,804,448</u>	<u>7,125,785</u>	<u>6,878,700</u>

See accompanying notes to the financial statements

**TOWN OF GRIMSHAW
CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE 6**

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Total \$
REVENUE							
Net municipal taxes	2,312,756	-	-	-	-	-	2,312,756
Government transfers	-	-	1,105,534	-	81,797	-	1,187,331
User fees and sales of goods	535,545	26,783	-	54,777	237,277	1,506,443	2,360,825
Gain on sale of capital assets	-	-	-	-	-	-	-
Investment income	256,448	-	-	-	-	-	256,448
Penalties and costs on taxes	51,557	1,945	-	-	-	16,414	69,916
Other revenues	3,953	51,318	15,820	66,645	757,657	15,147	910,540
	3,160,259	80,046	1,121,354	121,422	1,076,731	1,538,004	7,097,816
EXPENSES							
Contract & general services	570,144	224,388	472,383	208,420	555,055	392,431	2,422,821
Salaries & wages	660,049	84,776	513,779	102,695	778,945	180,771	2,321,015
Goods & supplies	63,948	56,499	200,231	1,502	330,086	56,791	709,057
Bank charges and interest	11,514	-	-	-	-	-	11,514
Long term debt interest	7,696	-	-	-	-	-	7,696
Other expenses	917	788	575	12,234	145,600	69	160,183
	1,314,268	366,451	1,186,968	324,851	1,809,686	630,062	5,632,286
NET REVENUE (EXPENSE) BEFORE AMORTIZATION	1,845,991	(286,405)	(65,614)	(203,429)	(732,955)	907,942	1,465,530
Amortization expense	(31,156)	(57,770)	(785,063)	-	(451,922)	(167,588)	(1,493,499)
NET REVENUE (EXPENSE)	1,814,835	(344,175)	(850,677)	(203,429)	(1,184,877)	740,354	(27,969)

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Grimshaw are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. Significant aspects of the accounting policies adopted by the Town of Grimshaw are as follows:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are part of the municipal reporting entity.

The 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 consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

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 investments. 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.

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Employee Future Benefits

Certain employees of the Town are members of the Local Authorities Pension Plan (LAPP), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Town does not recognize its share of any plan surplus or deficit.

f) Inventories 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 levelling 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.

g) Government Transfers

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

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

h) 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. 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.

i) 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 consolidated Change in Net Financial Assets for the year.

**TOWN OF GRIMSHAW
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

	YEARS
Land Improvements	10-45
Buildings	25-50
Engineered structures	
Water distribution system	30-75
Wastewater treatment system	35-75
Roadway system	5-40
Machinery, equipment and furnishings	5-20
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. 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.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed. The Town of Grimshaw owns 2 antique trucks. They were purchased in 2008 for a combined cost of \$28,500. The trucks are not recorded as tangible capital assets in the consolidated financial statements and are not amortized.

j) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

2. CASH AND INVESTMENTS

	2025	2024
	\$	\$
Cash	209,838	(52,187)
GIC's and investment savings account	7,077,058	7,813,341
	<u>7,286,896</u>	<u>7,761,154</u>

GIC's and investment savings account consists of mutual fund investments and GIC investments bearing interest between 3.32 - 4.92% with maturity dates up to January 22, 2030.

A portion of the cash balances above are restricted for reserves and deferred revenue. The total restricted capital is \$4,194,335 (\$4,385,232 in 2024).

3. TAXES AND GRANTS IN LIEU OF TAXES

	2025	2024
	\$	\$
Current taxes and grants in lieu of taxes	68,082	90,633
Arrears taxes	42,930	37,137
	111,012	127,770
Less: allowance for doubtful accounts	-	-
	<u>111,012</u>	<u>127,770</u>

4. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	2025	2024
	\$	\$
Vacation and overtime	66,238	89,945
Project holdbacks	1,643	56,306
General payables	382,372	498,305
Government payables (source deductions and GST)	23,329	19,705
	<u>473,582</u>	<u>664,261</u>

Vacation and overtime

The vacation and overtime liability is comprised of the vacation and overtime that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

5. 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 expenses are incurred.

	2024	Additions	Revenue Recognized	2025
	\$	\$	\$	\$
Local Government Fiscal Framework - Capital	-	731,690	731,690	-
Local Government Fiscal Framework - Operating	-	323,042	323,042	-
Canada Community Building Fund	287,989	207,976	50,802	445,163
Overcontribution from County of Northern Lights	-	16,274	-	16,274
	287,989	1,278,982	1,105,534	461,437

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

6. LONG-TERM DEBT

	<u>2025</u>	<u>2024</u>
	<u>\$</u>	<u>\$</u>
Self supported debentures	320,282	351,971
Breathing Apparatuses Capital Lease	181,089	197,552
	<u>501,371</u>	<u>549,523</u>

Principal and interest repayments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
2026	48,885	7,175	56,060
2027	49,634	6,426	56,060
2028	50,400	5,659	56,059
2029	51,185	4,874	56,059
Thereafter	<u>301,267</u>	<u>19,864</u>	<u>321,131</u>
	<u>501,371</u>	<u>43,998</u>	<u>545,369</u>

Debenture debt is repayable to Alberta Capital Finance Authority and bears interest at 2.298% per annum, and matures in 2034.

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

Capital lease is repayable to Calidon Equipment Leasing and matures in 2037.

7. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta be disclosed as follows:

	<u>2025</u>	<u>2024</u>
	<u>\$</u>	<u>\$</u>
Total debt limit	9,472,986	10,245,060
Total debt	501,371	549,523
Amount of debt limit unused	<u>8,971,615</u>	<u>9,695,537</u>
Debt servicing limit	1,578,831	1,707,510
Total debt payments	56,060	56,060
Amount of debt servicing limit unused	<u>1,522,771</u>	<u>1,651,450</u>

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the consolidated financial statements must be interpreted as a whole.

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
	\$	\$
Tangible capital assets (Schedule 2)	<u>78,253,906</u>	76,493,219
Accumulated amortization (Schedule 2)	<u>(52,139,234)</u>	(50,645,735)
Long-term debt (Note 6)	<u>(501,371)</u>	(549,523)
	<u>25,613,301</u>	<u>25,297,961</u>

9. ACCUMULATED SURPLUS

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

	2025	2024
	\$	\$
Unrestricted surplus	<u>3,842,064</u>	3,821,025
Reserves (Note 10)	<u>3,732,898</u>	4,097,246
Equity in tangible capital assets (Note 8)	<u>25,613,301</u>	25,297,961
	<u>33,188,263</u>	<u>33,216,232</u>

TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

10. RESERVES

Reserves consists of operating and capital amounts as follows:

	2025	2024
	\$	\$
Operating reserves		
General Administration	195,110	154,710
RCMP	24,000	24,000
Fire	28,810	28,810
Transportation	135,000	165,000
Sewer	7,000	7,000
FCSS	12	12
Economic Development	32,139	32,139
Community Development	106,000	106,000
Recreation	3,500	123,500
Town of Grimshaw Anniversary	25,000	15,000
Contingency	1,460	1,460
	558,031	657,631
Capital reserves		
General Administration	252,742	207,742
RCMP	10,000	10,000
Fire	452,394	373,966
Transportation	268,405	586,988
Water	453,694	382,746
Sewer	(21,439)	70,256
Cemeteries	(5,764)	34,516
Shared Spaces	56,217	48,217
Recreation	853,990	913,897
Pool	177,647	172,223
Fitness Centre	98,708	106,560
Parks	53,550	32,781
Field House	238,000	213,000
Water Spray Park	28,348	28,348
Capital replacement	258,375	258,375
	3,174,867	3,439,615
Total reserves	3,732,898	4,097,246

TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

11. SALARY AND BENEFITS DISCLOSURE

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

	2025			Total	2024
	Salary ¹	Benefits & allowances ²	Expense reimbursement ³		Total
	\$				\$
Councillors					
Mayor Wald	11,690	522	2,565	14,777	16,459
Councillor Bissell	-	-	-	-	2,111
Councillor Hennings	2,550	595	-	3,145	3,947
Councillor Jacobs	-	-	-	-	2,834
Councillor Johnson	2,595	-	154	2,749	6,970
Councillor/Mayor Messner	10,865	1,951	3,883	16,699	16,311
Councillor Sklapsky	9,860	1,905	-	11,765	11,264
Councillor Regal	2,475	505	-	2,980	1,279
Councillor Florence	5,315	1,626	80	7,021	1,830
Councillor Bak (Oct 2025)	1,470	930	53	2,453	-
Councillor Allen (Oct 2025)	1,110	961	-	2,071	-
Councillor Thompson (Oct 2025)	1,040	930	-	1,970	-
Councillor Krantz (Oct 2025)	1,260	970	-	2,230	-
Chief Administrative Officer 4	153,669	22,814	-	176,483	214,757
	203,899	33,709	6,735	244,343	277,762

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, and long and short-term disability plans.

3 Direct reimbursement of expenses.

4 Brian Allen served from January 1 to July 11, 2025; Acting CAO Belinda Russell from July 12 to November 2, 2025; and Olive Toews from November 3 to December 31, 2025.

12. LOCAL AUTHORITIES PENSION PLAN

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

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

The Town is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 10.65% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2025 were \$124,761 (2024 - \$131,876). Total current service contributions by the employees of the Town to the LAPP in 2025 were \$110,691 (2024 - \$117,127).

At December 31, 2024, the LAPP disclosed a surplus of \$19.56 billion (2023 - \$15.06 billion surplus).

**TOWN OF GRIMSHAW
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

13. COMMITMENTS

The Town has a 5 year contract with KCL Consulting Inc to provide assessment services, annually, until 2025. The cost will change year to year as per the formula in the agreement.

The Town has a 3 year agreement with the Lac Cardinal Economic Development Board, at a cost of \$55,400 annually, until December 31, 2026.

The Town has a 5 year agreement with the Mackenzie Municipal Services Agency, at a cost of \$92,866 annually, until December 31, 2029. The cost could change year to year as per the formula in the agreement.

14. CONTINGENCIES

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

15. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, investments, accounts payable and accrued liabilities, deposit liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

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

Unless otherwise noted, the carrying value of the financial instrument approximates fair value.

16. SEGMENTED DISCLOSURE

The Town of Grimshaw provides a range of services to its ratepayers. 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.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

17. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and Management have approved these consolidated financial statements.

18. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary.