

TOWN OF KILLAM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Killam:

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Town of Killam (the Entity), which comprise the consolidated statement of financial position as at December 31, 2024, and the results of its operations, changes in its net financial assets (debt) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Town of Killam as at December 31, 2024, the results of its operations, change in its net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements, management is responsible for assessing the Entity'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 cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

My 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 auditor's report that includes my 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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- 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 my 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 Entity'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 Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
In accordance with Alberta Regulation 255/2000, I confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 6.
- Supplementary Accounting Principles and Standards Regulation:
In accordance with Alberta Regulation 313/2000, I confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 10.

M.D. of Wainwright

March 20, 2024

Brian King Professional Corporation

Chartered Professional Accountant

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	1,629,485	1,835,095
Taxes and grants in place of taxes (Note 3)	84,431	56,142
Trade and other receivables	402,458	217,190
Due from other governments	541,168	406,931
Debt charges recoverable	18,089	32,236
Other financial assets	50,694	47,755
	<u>2,726,325</u>	<u>2,595,349</u>
LIABILITIES		
Accounts payable and accrued liabilities	145,268	175,241
Deposits held in trust	5,432	6,238
Deferred revenue (Note 4)	773,067	409,217
Long term debt (Note 5)	290,994	453,279
	<u>1,214,761</u>	<u>1,043,975</u>
NET FINANCIAL ASSETS	<u>1,511,564</u>	<u>1,551,374</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	8,323,642	8,193,965
Prepaid expenses	8,321	5,824
Inventory held for resale	657,454	688,716
	<u>8,989,417</u>	<u>8,888,505</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>10,500,981</u>	<u>10,439,879</u>

Commitments and contingencies - See Note 11

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget (unaudited)	2024	2023
REVENUE			
Net municipal property taxes (Schedule 3)	1,184,778	1,184,330	1,143,394
User fees and sales of goods	1,631,895	1,491,373	1,508,606
Penalties and costs on taxes	26,500	25,140	31,074
Licenses and permits	6,500	101,997	4,747
Fines	5,500	947	960
Franchise and concession contracts	101,340	102,841	87,506
Investment income	46,500	75,588	65,379
Rentals	12,000	12,625	12,783
Government transfers for operating	88,187	88,187	88,187
Other	4,000	25,803	34,118
Gain on disposal of assets	12,237	12,237	5,000
	<u>3,119,437</u>	<u>3,121,068</u>	<u>2,981,754</u>
EXPENSES			
Legislative	62,500	53,609	57,641
Administration	356,349	378,885	358,971
Protective services	178,690	172,807	152,869
Transportation	415,966	426,269	418,415
Water supply and distribution	190,904	185,666	163,169
Wastewater treatment and disposal	86,399	84,738	66,912
Waste management	180,607	180,582	179,553
Public health and welfare	33,436	32,090	27,905
Planning and development	28,262	296,179	45,462
Recreation	384,724	414,522	458,105
Culture	38,949	37,392	39,756
Gas system	557,120	405,852	525,023
Amortization	444,500	461,375	449,241
	<u>2,958,406</u>	<u>3,129,966</u>	<u>2,943,022</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	161,031	(8,898)	38,732
OTHER			
Government transfers for capital (Schedule 4)	<u>70,000</u>	<u>70,000</u>	<u>263,273</u>
EXCESS OF REVENUE OVER EXPENSES	231,031	61,102	302,005
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>10,439,879</u>	<u>10,439,879</u>	<u>10,137,874</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>10,670,910</u>	<u>10,500,981</u>	<u>10,439,879</u>

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CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget (unaudited)	2024	2023
EXCESS OF REVENUE OVER EXPENSES	231,031	61,102	302,005
Acquisition of tangible capital assets	(657,650)	(591,052)	(385,695)
Proceeds on disposal of tangible capital assets	-	12,237	30,906
Amortization of tangible capital assets	444,500	461,375	449,241
Loss (gain) on sale of tangible capital assets	(12,237)	(12,237)	(5,000)
Net (increase) decrease of Inventory held for resale	-	31,262	422
Net (increase) decrease of prepaid assets	-	(2,497)	2,084
INCREASE IN NET FINANCIAL ASSETS	5,644	(39,810)	393,963
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,551,374	1,551,374	1,157,411
NET FINANCIAL ASSETS, END OF YEAR	1,557,018	1,511,564	1,551,374

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

	2024	2023
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficit) of revenues over expenses	61,102	302,005
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	461,375	449,241
Loss (gain) on disposal of tangible capital assets	(12,237)	(5,000)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(28,289)	19,578
Decrease (increase) in trade and other receivables	(185,268)	164,157
Decrease (increase) in due from other governments	(134,237)	(194,613)
Decrease (increase) in inventory held for resale	31,262	422
Decrease (increase) in prepaid expenses	(2,497)	2,084
Decrease (increase) in other financial assets	(2,939)	(1,371)
Increase (decrease) in accounts payable and accrued liabilities	(29,973)	(145,740)
Increase (decrease) in deposits held in trust	(806)	(816)
Increase (decrease) in deferred revenue	363,850	(65,795)
	<u>521,343</u>	<u>524,152</u>
CAPITAL		
Acquisition of tangible capital assets	(591,052)	(385,695)
Sale of tangible capital assets	12,237	30,906
	<u>(578,815)</u>	<u>(354,789)</u>
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(125,853)	178,219
FINANCING		
Debt charges recovered	14,147	13,112
Long-term debt repaid	(162,285)	(151,634)
	<u>(148,138)</u>	<u>(138,522)</u>
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	(331,463)	209,060
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,770,805</u>	<u>1,561,745</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>1,439,342</u></u>	<u><u>1,770,805</u></u>
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	150	150
Cash in bank	102,453	388,649
Term deposits	965,573	938,188
Sedgewick Killam Natural Gas System	561,309	508,108

Less: restricted portion of cash and term deposits (Note 2)

<u>(190,143)</u>	<u>(64,290)</u>
<u><u>1,439,342</u></u>	<u><u>1,770,805</u></u>

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SCHEDULE OF CHANGES IN ACCUMULATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 2024 (Schedule 1)

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2024	2023
BALANCE, BEGINNING OF YEAR	<u>628,696</u>	<u>1,839,513</u>	<u>7,971,670</u>	10,439,879	<u>10,547,922</u>
Excess of revenues over expenses	61,102	-	-	61,102	302,005
Unrestricted funds designated for future use	(594,109)	594,109	-	-	-
Restricted funds used for operations	25,000	(25,000)	-	-	-
Restricted funds used for tangible capital assets	-	(519,178)	519,178	-	-
Current year funds used for tangible capital assets	(71,874)	-	71,874	-	-
Annual amortization expense	461,375	-	(461,375)	-	-
Net change in long term debt	<u>(110,556)</u>	<u>-</u>	<u>110,556</u>	<u>-</u>	<u>-</u>
Change in accumulated surplus	<u>(229,062)</u>	<u>49,931</u>	<u>240,233</u>	61,102	<u>302,005</u>
BALANCE, END OF YEAR	<u><u>399,634</u></u>	<u><u>1,889,444</u></u>	<u><u>8,211,903</u></u>	10,500,981	<u><u>10,849,927</u></u>

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CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED DECEMBER 31, 2024 (Schedule 2)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	2024	2023
COST:								
Balance - beginning of year	706,262	468,742	1,035,511	26,351,914	921,139	252,228	29,735,796	29,409,568
Acquisition of tangible capital assets	-	-	-	358,613	181,689	50,750	591,052	377,605
Construction in progress	-	-	-	-	-	-	-	8,090
Disposal of tangible capital assets	-	-	-	-	-	(27,533)	(27,533)	(59,467)
Balance - end of year	706,262	468,742	1,035,511	26,710,527	1,102,828	275,445	30,299,315	29,735,796
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	355,719	528,674	20,034,410	475,660	147,368	21,541,831	21,126,151
Annual amortization	-	11,425	23,318	345,866	62,736	18,030	461,375	449,241
Accumulated amortization on disposals	-	-	-	-	-	(27,533)	(27,533)	(33,561)
Balance - end of year	-	367,144	551,992	20,380,276	538,396	137,865	21,975,673	21,541,831
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	706,262	101,598	483,519	6,330,251	564,432	137,580	8,323,642	8,193,965
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	706,262	113,023	506,837	6,317,504	445,479	104,860	8,193,965	

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CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2024 (Schedule 3)

	Budget (Unaudited)	2024	2023
TAXATION			
Real property taxes	1,404,113	1,403,666	1,352,954
Linear property taxes	50,995	50,995	42,914
Government grants in place of property taxes	18,583	18,583	28,707
	<u>1,473,691</u>	<u>1,473,244</u>	<u>1,424,575</u>
REQUISITIONS			
Alberta School Foundation	272,288	272,289	269,006
Flagstaff Regional Housing Group	16,625	16,625	12,175
	<u>288,913</u>	<u>288,914</u>	<u>281,181</u>
NET MUNICIPAL TAXES	<u>1,184,778</u>	<u>1,184,330</u>	<u>1,143,394</u>

TOWN OF KILLAM

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2024 (Schedule 4)

	Budget (Unaudited)	2024	2023
TRANSFERS FOR OPERATING			
Provincial Government	87,562	87,562	87,562
Local Governments	625	625	625
	<u>88,187</u>	<u>88,187</u>	<u>88,187</u>
TRANSFERS FOR CAPITAL			
Provincial Government	70,000	70,000	263,273
TOTAL GOVERNMENT TRANSFERS	<u>158,187</u>	<u>158,187</u>	<u>351,460</u>

TOWN OF KILLAM

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2024 (Schedule 5)

	Budget (Unaudited)	2024	2023
Expenditures			
Salaries, wages and benefits	781,895	760,689	744,284
Contracted and general services	544,512	917,816	619,013
Materials, goods and utilities	765,900	561,450	634,405
Transfers to other governments	47,345	47,345	33,453
Transfers to local boards and agencies	352,080	358,938	431,549
Transfers to individuals and agencies	2,500	3,148	4,438
Bank charges and short term interest	1,000	3,508	1,859
Interest on operating long term debt	-	4,963	5,801
Interest on capital long term debt	18,674	10,734	16,828
Other expenditures	-	-	2,151
Amortization of tangible capital assets	444,500	461,375	449,241
	<u>2,958,406</u>	<u>3,129,966</u>	<u>2,943,022</u>

TOWN OF KILLAM

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2024 (Schedule 6)

	General Government	Protective Services	Transportation services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Gas System	Total
REVENUE									
Net municipal property taxes (Schedule 2)	1,184,330	-	-	-	-	-	-	-	1,184,330
User fees and sales of goods	3,787	20,400	29,586	762,976	7,598	27,677	21,513	617,836	1,491,373
Penalties and costs on taxes	18,014	-	-	-	-	-	-	7,126	25,140
Licenses and permits	-	4,250	-	-	-	97,747	-	-	101,997
Fines	822	125	-	-	-	-	-	-	947
Franchise and concession contracts	102,841	-	-	-	-	-	-	-	102,841
Investment income	54,899	-	-	-	-	-	-	20,689	75,588
Rentals	-	9,000	-	-	-	3,625	-	-	12,625
Government transfers	87,562	-	-	-	625	-	-	-	88,187
Other	50	-	2,855	-	6,248	-	1,616	15,034	25,803
	<u>1,452,305</u>	<u>33,775</u>	<u>32,441</u>	<u>762,976</u>	<u>14,471</u>	<u>129,049</u>	<u>23,129</u>	<u>660,685</u>	<u>3,108,831</u>
EXPENSES									
Salaries, wages and benefits	237,651	37,733	159,817	169,924	17,322	-	134,382	3,860	760,689
Contracted and general services	167,596	8,604	84,240	221,807	-	290,445	27,726	117,398	917,816
Materials, goods and utilities	19,341	1,283	172,249	59,255	4,670	-	20,058	284,594	561,450
Transfers to other governments	-	47,345	-	-	-	-	-	-	47,345
Transfers to local boards and agencies	1,250	77,842	-	-	10,098	-	269,748	-	358,938
Transfers to individuals and agencies	3,148	-	-	-	-	-	-	-	3,148
Bank charges and short term interest	3,508	-	-	-	-	-	-	-	3,508
Interest on operating long term debt	-	-	-	-	-	4,963	-	-	4,963
Interest on capital long term debt	-	-	9,963	-	-	771	-	-	10,734
	<u>432,494</u>	<u>172,807</u>	<u>426,269</u>	<u>450,986</u>	<u>32,090</u>	<u>296,179</u>	<u>451,914</u>	<u>405,852</u>	<u>2,668,591</u>
NET REVENUE, BEFORE AMORTIZATION	<u>1,019,811</u>	<u>(139,032)</u>	<u>(393,828)</u>	<u>311,990</u>	<u>(17,619)</u>	<u>(167,130)</u>	<u>(428,785)</u>	<u>254,833</u>	<u>440,240</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	21,434	8,343	271,126	125,208	-	-	24,403	10,861	461,375
Loss (gain) on disposal of tangible capital assets	-	-	(12,237)	-	-	-	-	-	(12,237)
	<u>21,434</u>	<u>8,343</u>	<u>258,889</u>	<u>125,208</u>	<u>-</u>	<u>-</u>	<u>24,403</u>	<u>10,861</u>	<u>449,138</u>
NET REVENUE	<u>998,377</u>	<u>(147,375)</u>	<u>(652,717)</u>	<u>186,782</u>	<u>(17,619)</u>	<u>(167,130)</u>	<u>(453,188)</u>	<u>243,972</u>	<u>(8,898)</u>

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Killam 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 Chartered Professional Accountants.

Significant aspects of the accounting policies adopted by the town 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 are, therefore accountable to the Council for the administration of their financial affairs and resources. The statements include the proportionate share of the Sedgewick Killam Natural Gas System.

The schedule of taxes levied also includes requisitions for education, health, social and other external organizations that are not 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 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.

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 measurement uncertainty exists, the 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.

e) Requisition Over-levy and Under-levy

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.

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) 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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 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.

i) Landfill Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the town is required to fund the closure of its landfill site and provide for post-closure care 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 being provided for over the estimated remaining life of the landfill site based on usage.

j) Contaminated Sites Liability

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 cost of 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 consolidated 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:

	YEARS
Buildings	50
Engineered structures - other	20-50
Engineered structures - water system	30-75
Engineered structures - wastewater system	50
Land improvements	15
Machinery and equipment	7-15
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.

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. CASH AND TERM DEPOSITS

Term deposits are held in Vision Credit Union and ATB Financial bearing interest at rates from 3.44% to 4.67% with maturities in 2025 thru 2026.

	2024	2023
Included in cash and term deposits are amounts received from various grant funding programs that are held for use in accordance with the funding agreements. (Note 4)		
Municipal Sustainability Initiative - capital	123,817	-
Canada Community Building Fund	60,894	58,052
	<u>184,711</u>	<u>58,052</u>
Deposits held in trust	5,432	6,238
Total restricted cash and term deposits	<u>190,143</u>	<u>64,290</u>

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2024	2023
Current taxes and grants in place of taxes	48,587	37,770
Arrears taxes	27,575	10,103
Property held by the town as a result of tax forfeiture	8,269	8,269
	<u>84,431</u>	<u>56,142</u>

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

4. DEFERRED INCOME

Deferred income consists of the following:

	2024	2023
Municipal Sustainability Initiative - capital	123,817	188,398
Local Government Fiscal Framework	326,039	-
Canada Community Building Fund	285,554	179,232
Prepaid property taxes	37,657	41,587
	<u>773,067</u>	<u>409,217</u>

5. LONG TERM DEBT

	2024	2023
Operating		
Loans to Local Authorities	161,166	198,748
ATB Financial	18,089	32,236
	<u>179,255</u>	<u>230,984</u>
Capital		
Loans to Local Authorities	15,865	47,118
ATB Financial	95,874	175,177
	<u>111,739</u>	<u>222,295</u>
	<u>290,994</u>	<u>453,279</u>

Principal and interest payments are as follows:

	Principal	Interest	Total
2025	142,531	8,215	150,746
2026	25,311	3,748	29,059
2027	13,042	3,316	16,358
2028	13,405	2,953	16,358
2029	13,778	2,580	16,358
Thereafter	82,927	7,035	89,962
	<u>290,994</u>	<u>27,847</u>	<u>318,841</u>

Debenture debt owing to Loans to Local Authorities bears interest ranging from 2.031% to 2.765% per annum and matures in periods from 2025 through 2035 and is secured by the credit and security of the town at large.

Debt repayable to ATB Financial bears interest at Prime plus 0.3% and is secured by a general security agreement.

The town's total cash payments for interest in 2024 were \$17,599 (2023 - \$25,515).

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

6. 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 Town of Killam be disclosed as follows:

	2024	2023
Total debt limit	<u>4,681,602</u>	<u>4,472,631</u>
Total debt	<u>290,994</u>	<u>453,279</u>
Surplus debt limit	<u>4,390,608</u>	<u>4,019,352</u>
Debt servicing limit	<u>780,267</u>	<u>745,439</u>
Debt servicing	<u>150,746</u>	<u>177,149</u>
Surplus debt servicing	<u>629,521</u>	<u>568,290</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, which 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 financial statements must be interpreted as a whole.

7. EQUITY IN TANGIBLE CAPITAL ASSETS

	2024	2023
Tangible capital assets (Schedule 2)	30,299,315	29,735,796
Accumulated amortization (Schedule 2)	(21,975,673)	(21,541,831)
Long-term debt (Note 6)	<u>(111,739)</u>	<u>(222,295)</u>
	<u>8,211,903</u>	<u>7,971,670</u>

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

8. ACCUMULATED SURPLUS

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

	<u>2024</u>	<u>2023</u>
Unrestricted surplus	<u>399,634</u>	<u>628,696</u>
Restricted surplus		
Administration	35,078	40,678
Cemetery	10,558	5,558
Fire	25,000	50,000
Common services	56,325	46,325
Roads	286,391	269,399
Water	157,715	251,149
Sewer	596,274	548,819
Parks and recreation	152,718	200,343
Gas system	121,578	76,578
Sedgewick Killam Natural Gas System	447,807	350,664
	<u>1,889,444</u>	<u>1,839,513</u>
Equity in tangible capital assets	<u>8,211,903</u>	<u>7,971,670</u>
	<u>10,500,981</u>	<u>10,439,879</u>

9. SEGMENTED DISCLOSURE

The Town of Killam 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 financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (schedule 6)

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

10. SALARY AND BENEFITS DISCLOSURE

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

	2024			2023
	Salary	Benefits & Allowances	Total	Total
Clark	2,667	-	2,667	8,200
Fee	8,000	268	8,268	667
Kellert	4,667	260	4,927	15,216
Kinzer	8,000	268	8,268	5,433
Krys	9,667	367	10,034	8,000
McDermott	8,000	-	8,000	8,268
CAO	127,075	27,944	155,019	149,013
Designated officer (3)	20,745	-	20,745	19,038

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.

11. 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.

The town is a member of the Flagstaff Regional Solid Waste Management Association. Under the terms of the membership, the town could become liable for its proportionate share of any landfill closure and post-closure costs in excess of the funds held by the association. Any liability incurred would be accounted for as a current transaction in the year the shortfall is determined.

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

12. FINANCIAL INSTRUMENTS

The town's financial instruments consist of cash and temporary investments, accounts receivable, investments, bank indebtedness, 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 receivable 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 fair value of these financial instruments approximates their fair value.

13. 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 serves 304,451 people and 444 employers. 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 during the year were \$42,815. Total current service contributions by the employees of the Town to the Local Authorities Pension Plan during the year were \$38,155.

At December 31, 2023, the LAPP disclosed an actuarial surplus of \$15.06 Billion.

14. COMPARITIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

15. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.