

TOWN OF KILLAM
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Killam is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within this Financial Report. Management believes that the financial statements present fairly the town's financial position as at December 31, 2025 and the results of its operations for the year then ended.

The financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the financial statements.

The town Council carries out its responsibilities for review of the financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Audit Committee with and without the presence of management. The town Council has approved the financial statements.

The financial statements have been audited by Brian King Professional Corporation, Chartered Professional Accountant, independent external auditors appointed by the town. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the town's financial statements.

Chief Administrative Officer

March 19, 2026
Town of Killam

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, 2025, 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, 2025, 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:

Brian King Professional Corporation

Box 560, Hardisty, Alberta T0B 1V0

- 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 7.
- **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 11.

M.D. of Wainwright
March 19, 2026



Brian King Professional Corporation
Chartered Professional Accountant

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	1,826,824	1,629,485
Taxes and grants in place of taxes (Note 3)	115,492	84,431
Trade and other receivables	232,122	402,458
Due from other governments	378,058	541,168
Debt charges recoverable	3,704	18,089
Other financial assets	53,595	50,694
	<u>2,609,795</u>	<u>2,726,325</u>
LIABILITIES		
Accounts payable and accrued liabilities	158,863	145,268
Deferred revenue (Note 4)	686,068	778,499
Long term debt (Note 5)	183,345	290,994
	<u>1,028,276</u>	<u>1,214,761</u>
NET FINANCIAL ASSETS	<u>1,581,519</u>	<u>1,511,564</u>
NON-FINANCIAL ASSETS		
Tangible capital assets	9,068,654	8,323,642
Prepaid expenses	9,067	8,321
Inventory held for resale	511,024	657,454
	<u>9,588,745</u>	<u>8,989,417</u>
ACCUMULATED SURPLUS (NOTE 8)	<u>11,170,264</u>	<u>10,500,981</u>

Commitments and contingencies - See Note 12

APPROVED ON BEHALF OF TOWN COUNCIL

Mayor

TOWN OF KILLAM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget (unaudited)	2025	2024
REVENUE			
Net municipal property taxes (Schedule 3)	1,206,644	1,208,829	1,184,330
User fees and sales of goods	1,729,975	1,646,244	1,491,373
Penalties and costs on taxes	27,500	26,406	25,140
Licenses and permits	6,500	8,873	101,997
Fines	1,500	600	947
Franchise and concession contracts	105,184	101,317	102,841
Investment income	57,700	68,895	75,588
Rentals	13,000	12,625	12,625
Government transfers for operating	88,187	113,187	88,187
Other	6,000	6,321	25,803
Gain on disposal of assets	-	7,564	12,237
	3,242,190	3,200,861	3,121,068
EXPENSES			
Legislative	55,000	60,044	53,609
Administration	380,247	400,026	378,885
Protective services	177,643	177,666	172,807
Transportation	429,967	427,820	426,269
Water supply and distribution	205,129	198,817	185,666
Wastewater treatment and disposal	88,131	92,101	84,738
Waste management	183,047	182,676	180,582
Public health and welfare	32,083	38,043	32,090
Planning and development	25,594	192,748	296,179
Recreation	467,902	397,797	414,522
Culture	39,116	38,340	37,392
Gas system	571,269	434,576	405,852
Amortization	444,500	474,431	461,375
	3,099,628	3,115,085	3,129,966
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER	142,562	85,776	(8,898)
OTHER			
Government transfers for capital (Schedule 4)	769,390	583,507	70,000
EXCESS OF REVENUE OVER EXPENSES	911,952	669,283	61,102
ACCUMULATED SURPLUS, BEGINNING OF YEAR	10,500,981	10,500,981	10,439,879
ACCUMULATED SURPLUS, END OF YEAR	11,412,933	11,170,264	10,500,981

TOWN OF KILLAM

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

	Budget (unaudited)	2025	2024
EXCESS OF REVENUE OVER EXPENSES	911,952	669,283	61,102
Acquisition of tangible capital assets	(1,129,529)	(1,224,479)	(591,052)
Proceeds on disposal of tangible capital assets	-	12,600	12,237
Amortization of tangible capital assets	444,500	474,431	461,375
Loss (gain) on sale of tangible capital assets	-	(7,564)	(12,237)
Net (increase) decrease of Inventory held for resale	-	146,430	31,262
Net (increase) decrease of prepaid assets	-	(746)	(2,497)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	226,923	69,955	(39,810)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,511,564	1,511,564	1,551,374
NET FINANCIAL ASSETS, END OF YEAR	1,738,487	1,581,519	1,511,564

TOWN OF KILLAM

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

	2025	2024
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficit) of revenues over expenses	669,283	61,102
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	474,431	461,375
Loss (gain) on disposal of tangible capital assets	(7,564)	(12,237)
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(31,061)	(28,289)
Decrease (increase) in trade and other receivables	170,336	(185,268)
Decrease (increase) in due from other governments	163,110	(134,237)
Decrease (increase) in inventory held for resale	146,430	31,262
Decrease (increase) in prepaid expenses	(746)	(2,497)
Decrease (increase) in other financial assets	(2,901)	(2,939)
Increase (decrease) in accounts payable and accrued liabilities	13,595	(29,973)
Increase (decrease) in deferred revenue	(92,431)	363,044
	1,502,482	521,343
CAPITAL		
Acquisition of tangible capital assets	(1,224,479)	(591,052)
Sale of tangible capital assets	12,600	12,237
	(1,211,879)	(578,815)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(83,920)	(125,853)
FINANCING		
Debt charges recovered	14,385	14,147
Long-term debt issued	30,000	-
Long-term debt repaid	(137,649)	(162,285)
	(93,264)	(148,138)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	113,419	(331,463)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,439,342	1,770,805
CASH AND CASH EQUIVALENTS, END OF YEAR	1,552,761	1,439,342
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash on hand	150	150
Cash in bank	484,562	102,453
Term deposits	750,000	965,573
Sedgewick Killam Natural Gas System	592,112	561,309
Less: restricted portion of cash and term deposits (Note 2)	(274,063)	(190,143)
	1,552,761	1,439,342

TOWN OF KILLAM

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	399,634	1,889,444	8,211,903	10,500,981	10,439,879
Excess of revenues over expenses	669,283	-	-	669,283	61,102
Unrestricted funds designated for future use	(672,594)	672,594	-	-	-
Restricted funds used for operations	92,031	(92,031)	-	-	-
Restricted funds used for tangible capital assets	-	(611,385)	611,385	-	-
Current year funds used for tangible capital assets	(583,094)	-	583,094	-	-
Long term debt used for tangible capital assets	-	-	30,000	-	-
Disposal of tangible capital assets	5,036	-	(5,036)	-	-
Annual amortization expense	474,431	-	(474,431)	-	-
Long term debt issued	-	-	(30,000)	-	-
Net change in long term debt	(97,939)	-	97,939	-	-
Change in accumulated surplus	(112,846)	(30,822)	812,951	669,283	61,102
BALANCE, END OF YEAR	<u>286,788</u>	<u>1,858,622</u>	<u>9,024,854</u>	<u>11,170,264</u>	<u>10,500,981</u>

TOWN OF KILLAM

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	706,262	468,742	1,035,511	26,710,527	1,102,828	275,445	30,299,315	29,735,796
Acquisition of tangible capital assets	-	117,520	-	1,073,459	33,500	-	1,224,479	591,052
Construction in progress	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	(23,500)	-	(23,500)	(27,533)
Balance - end of year	706,262	586,262	1,035,511	27,783,986	1,112,828	275,445	31,500,294	30,299,315
ACCUMULATED AMORTIZATION								
Balance - beginning of year	-	367,144	551,992	20,380,276	538,396	137,865	21,975,673	21,541,831
Annual amortization	-	13,250	23,318	356,914	60,382	20,567	474,431	461,375
Accumulated amortization on disposals	-	-	-	-	(18,464)	-	(18,464)	(27,533)
Balance - end of year	-	380,394	575,310	20,737,190	580,314	158,432	22,431,640	21,975,673
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	706,262	205,868	460,201	7,046,796	532,514	117,013	9,068,654	8,323,642
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	706,262	101,598	483,519	6,330,251	564,432	137,580	8,323,642	

TOWN OF KILLAM

CONSOLIDATED SCHEDULE OF PROPERTY TAXES LEVIED FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 3)

	Budget (Unaudited)	2025	2024
TAXATION			
Real property taxes	1,414,252	1,436,648	1,403,666
Linear property taxes	61,210	61,210	50,995
Government grants in place of property taxes	20,095	20,095	18,583
	<u>1,495,557</u>	<u>1,517,953</u>	<u>1,473,244</u>
REQUISITIONS			
Alberta School Foundation	272,288	292,534	272,289
Flagstaff Regional Housing Group	16,625	16,590	16,625
	<u>288,913</u>	<u>309,124</u>	<u>288,914</u>
NET MUNICIPAL TAXES	<u>1,206,644</u>	<u>1,208,829</u>	<u>1,184,330</u>

TOWN OF KILLAM

CONSOLIDATED SCHEDULE OF GOVERNMENT TRANSFERS FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 4)

	Budget (Unaudited)	2025	2024
TRANSFERS FOR OPERATING			
Provincial Government	87,562	87,562	87,562
Local Governments	625	25,625	625
	<u>88,187</u>	<u>113,187</u>	<u>88,187</u>
TRANSFERS FOR CAPITAL			
Federal Government	386,192	248,798	-
Provincial Government	383,198	334,709	70,000
	<u>769,390</u>	<u>583,507</u>	<u>70,000</u>
TOTAL GOVERNMENT TRANSFERS	<u>857,577</u>	<u>696,694</u>	<u>158,187</u>

TOWN OF KILLAM

CONSOLIDATED SCHEDULE OF EXPENDITURE BY OBJECT FOR THE YEAR ENDED DECEMBER 31, 2025 (Schedule 5)

	Budget (Unaudited)	2025	2024
Expenditures			
Salaries, wages and benefits	824,384	816,310	760,689
Contracted and general services	543,436	636,905	917,816
Materials, goods and utilities	780,124	757,039	561,450
Provision for allowances	-	3,711	-
Transfers to other governments	47,345	48,108	47,345
Transfers to local boards and agencies	440,333	365,524	358,938
Transfers to individuals and agencies	-	-	3,148
Bank charges and short term interest	2,500	3,122	3,508
Interest on operating long term debt	3,094	4,118	4,963
Interest on capital long term debt	11,412	3,475	10,734
Other expenditures	2,500	2,342	-
Amortization of tangible capital assets	444,500	474,431	461,375
	<u>3,099,628</u>	<u>3,115,085</u>	<u>3,129,966</u>

TOWN OF KILLAM

SCHEDULE OF SEGMENTED DISCLOSURE FOR THE YEAR ENDED DECEMBER 31, 2025 (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)	1,208,829	-	-	-	-	-	-	-	1,208,829
User fees and sales of goods	3,547	20,400	22,353	725,624	8,365	135,907	51,138	678,910	1,646,244
Penalties and costs on taxes	20,147	-	-	-	-	-	-	6,259	26,406
Licenses and permits	-	4,690	-	-	-	4,183	-	-	8,873
Fines	-	600	-	-	-	-	-	-	600
Franchise and concession contracts	101,317	-	-	-	-	-	-	-	101,317
Investment income	46,192	-	-	-	-	-	-	22,703	68,895
Rentals	-	9,000	-	-	-	3,625	-	-	12,625
Government transfers	87,562	-	-	-	625	-	25,000	-	113,187
Other	-	-	-	-	3,595	-	2,726	-	6,321
	<u>1,467,594</u>	<u>34,690</u>	<u>22,353</u>	<u>725,624</u>	<u>12,585</u>	<u>143,715</u>	<u>78,864</u>	<u>707,872</u>	<u>3,193,297</u>
EXPENSES									
Salaries, wages and benefits	255,538	36,561	172,400	182,344	22,347	-	137,767	9,353	816,310
Contracted and general services	159,155	11,902	76,497	235,325	3,313	38,664	10,027	102,022	636,905
Materials, goods and utilities	33,552	1,631	175,820	55,925	1,785	149,819	15,306	323,201	757,039
Provision for allowances	3,711	-	-	-	-	-	-	-	3,711
Transfers to other governments	-	48,108	-	-	-	-	-	-	48,108
Transfers to local boards and agencies	2,650	79,464	-	-	10,373	-	273,037	-	365,524
Bank charges and short term interest	3,122	-	-	-	-	-	-	-	3,122
Interest on operating long term debt	-	-	-	-	-	4,118	-	-	4,118
Interest on capital long term debt	-	-	3,103	-	225	147	-	-	3,475
Other expenditures	2,342	-	-	-	-	-	-	-	2,342
	<u>460,070</u>	<u>177,666</u>	<u>427,820</u>	<u>473,594</u>	<u>38,043</u>	<u>192,748</u>	<u>436,137</u>	<u>434,576</u>	<u>2,640,654</u>
NET REVENUE, BEFORE AMORTIZATION	<u>1,007,524</u>	<u>(142,976)</u>	<u>(405,467)</u>	<u>252,030</u>	<u>(25,458)</u>	<u>(49,033)</u>	<u>(357,273)</u>	<u>273,296</u>	<u>552,643</u>
AMORTIZATION AND DISPOSAL OF ASSETS									
Amortization of tangible capital assets	20,516	8,343	274,651	133,912	873	-	27,311	8,825	474,431
Loss (gain) on disposal of tangible capital asse	-	-	(7,564)	-	-	-	-	-	(7,564)
	<u>20,516</u>	<u>8,343</u>	<u>267,087</u>	<u>133,912</u>	<u>873</u>	<u>-</u>	<u>27,311</u>	<u>8,825</u>	<u>466,867</u>
NET REVENUE	<u>987,008</u>	<u>(151,319)</u>	<u>(672,554)</u>	<u>118,118</u>	<u>(26,331)</u>	<u>(49,033)</u>	<u>(384,584)</u>	<u>264,471</u>	<u>85,776</u>

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

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 Chartered Professional Accountants of Canada.

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.

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.

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Valuation of Financial Assets and Liabilities

The town's financial assets and liabilities are measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost or amortized cost
Short term investments	Amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Loans receivable and debt charges recoverable	Amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long term debt	Amortized cost

e) 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.

f) 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.

g) 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.

h) 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 KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) 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.

j) 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.

k) 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.

l) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in a continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.

n) 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 KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

1. 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
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.

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.

m) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. The town will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption may vary, certain standards must be adopted concurrently.

Financial Statement Presentation

PS1202, Financial Statement Presentation, will replace PS1201 and sets out the general and specific requirements of the presentation of financial information and is based on the concepts in the conceptual

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

2. CASH AND TERM DEPOSITS

Term deposits are held in Vision Credit Union and ATB Financial bearing interest at rates from 2.7% to 3.05% with maturities in 2026 thru 2027.

	2025	2024
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
Local Government Fiscal Farmework	115,147	-
Canada Community Building Fund	142,512	60,894
	257,659	184,711
Permit fees	16,404	5,432
Total restricted cash and term deposits	274,063	190,143

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2025	2024
Current taxes and grants in place of taxes	69,499	48,587
Arrears taxes	37,724	27,575
Property held by the town as a result of tax forfeiture	8,269	8,269
	115,492	84,431

4. DEFERRED INCOME

Deferred income consists of the following:

	2025	2024
Municipal Sustainability Initiative - capital	-	123,817
Local Government Fiscal Farmework	474,071	326,039
Canada Community Building Fund	142,512	285,554
Permit fees	16,404	5,432
Prepaid property taxes and utilities	53,081	37,657
	686,068	778,499

5. EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Vacation and overtime	30,065	33,242

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.

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

6. LONG TERM DEBT

	2025	2024
Operating		
Loans to Local Authorities	135,841	161,166
ATB Financial	3,704	18,089
	139,545	179,255
Capital		
Loans to Local Authorities	43,800	15,865
ATB Financial	-	95,874
	43,800	111,739
	183,345	290,994

Principal and interest payments are as follows:

	Principal	Interest	Total
2026	35,848	4,611	40,459
2027	18,864	3,989	22,853
2028	19,400	3,453	22,853
2029	19,950	2,903	22,853
2030	20,517	2,336	22,853
Thereafter	68,766	4,840	73,606
	183,345	22,132	205,477

Debenture debt owing to Loans to Local Authorities bears interest ranging from 2.765% to 2.94% per annum and matures in periods from 2030 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 2025 were \$8,023 (2024 - \$17,599).

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

7. DEBT LIMITS

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

	<u>2025</u>	<u>2024</u>
Total debt limit	<u>4,801,292</u>	4,681,602
Total debt	<u>183,345</u>	290,994
Surplus debt limit	<u>4,617,947</u>	<u>4,390,608</u>
Debt servicing limit	<u>800,215</u>	780,267
Debt servicing	<u>40,459</u>	150,746
Surplus debt servicing	<u>759,756</u>	<u>629,521</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.

8. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2025</u>	<u>2024</u>
Tangible capital assets (Schedule 2)	<u>31,500,294</u>	30,299,315
Accumulated amortization (Schedule 2)	<u>(22,431,640)</u>	(21,975,673)
Long-term debt (Note 6)	<u>(43,800)</u>	(111,739)
	<u>9,024,854</u>	<u>8,211,903</u>

TOWN OF KILLAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

9. ACCUMULATED SURPLUS

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

	<u>2025</u>	<u>2024</u>
Unrestricted surplus	<u>286,788</u>	<u>399,634</u>
Restricted surplus		
Administration	35,078	35,078
Cemetery	15,558	10,558
Fire	-	25,000
Common services	74,325	56,325
Roads	270,052	286,391
Water	273,698	157,715
Sewer	192,211	596,274
Parks and recreation	285,687	152,718
Gas system	186,578	121,578
Sedgewick Killam Natural Gas System	525,435	447,807
	<u>1,858,622</u>	<u>1,889,444</u>
Equity in tangible capital assets	<u>9,024,854</u>	<u>8,211,903</u>
	<u>11,170,264</u>	<u>10,500,981</u>

10. 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, 2025

11. 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:

	2025			2024
	Salary	Benefits & Allowances	Total	Total
Clark	8,000	-	8,000	2,667
Fee	8,000	268	8,268	8,268
Kellert	-	-	-	4,927
Kinzer	8,000	268	8,268	8,268
Krys	14,000	625	14,625	10,034
McDermott	8,000	-	8,000	8,000
CAO	130,396	28,523	158,919	155,019
Designated officer (3)	20,818	-	20,818	20,745

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.

12. 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, 2025

13. 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.

14. 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 316,938 people and 453 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 \$52,538. Total current service contributions by the employees of the Town to the Local Authorities Pension Plan during the year were \$46,729.

At December 31, 2024, the LAPP disclosed an actuarial surplus of \$19.6 Billion.

15. CONTAMINATED SITES LAIBILITY

The town did not identify any financial liabilities in the current or prior year as a result of contaminated sites.

16. COMPARITIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.