VILLAGE OF DONALDA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Village of Donalda 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 village'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 village 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 village 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 village. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the village's financial statements.

Melanie Veale

Chief Administrative Officer

August 19, 2026
Village of Donalda

Brian King Professional Corporation
Box 560, Hardisty, Alberta T0B 1V0

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Village of Donalda:

Report on the Financial Statements

Opinion

I have audited the financial statements of the Village of Donalda (the Entity), which comprise the 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 financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Village of Donalda 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 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 reasonable 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 then 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.

M.D. of Wainwright
August 19, 2026

Brian King Professional Corporation
Chartered Professional Accountant

VILLAGE OF DONALDA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash and term deposits (Note 2)	**289,208**	890,768
Taxes and grants in place of taxes (Note 3)	**68,400**	80,093
Trade and other receivables	**84,045**	30,453
Due from other governments	**897,798**	536,657
Other financial assets	**191**	191
	1,339,642	1,538,162
LIABILITIES		
Bank indebtedness (Note 4)	**47,541**	-
Accounts payable and accrued liabilities	**67,496**	102,958
Asset retirement obligations (Note 4)	**68,929**	216,922
Deferred revenue (Note 5)	**1,178,196**	1,285,176
	1,362,162	1,605,056
NET FINANCIAL ASSETS	**(22,520)**	(66,894)
NON-FINANCIAL ASSETS		
Tangible capital assets	**2,032,944**	2,226,775
Inventory held for resale	**8,550**	8,550
	2,041,494	2,235,325
ACCUMULATED SURPLUS (NOTE 9)	**2,018,974**	2,168,431

Commitments and contingencies - See Note 12 and 14

VILLAGE OF DONALDA

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

	Budget (unaudited)	**2025**	2024
REVENUE			
Net municipal property taxes (Schedule 3)	165,004	**225,117**	220,299
User fees and sales of goods	194,000	**189,490**	179,461
Penalties and costs on taxes	14,950	**1,504**	9,736
Licenses and permits	1,475	**1,602**	1,193
Fines	3,000	**1,650**	-
Franchise and concession contracts	61,849	**60,479**	65,689
Investment income	25,000	**21,803**	21,458
Rentals	12,950	**10,473**	10,200
Government transfers for operating	81,294	**75,218**	80,680
Other	17,500	**18,678**	5,593
Transferred asset retirement obligation	-	**150,000**	-
Gain on disposal of assets	-	**-**	-
	577,022	**756,014**	594,309
EXPENSES			
Legislative	12,200	**10,380**	8,511
Administration	210,649	**306,542**	347,208
Protective services	47,550	**45,789**	46,483
Transportation	160,332	**168,093**	86,775
Water supply and distribution	67,615	**85,270**	74,171
Wastewater treatment and disposal	1,871	**8,798**	4,040
Waste management	34,466	**40,083**	37,118
Public health and welfare	11,325	**7,484**	16,232
Planning and development	6,000	**(5,339)**	15,902
Recreation	18,107	**23,829**	16,326
Culture	25,135	**22,482**	20,670
Amortization	84,169	**98,318**	101,131
Accretion of asset retirement obligations	-	**2,007**	1,949
Loss (gain) on disposal of assets	-	**185,850**	-
	679,419	**999,586**	776,516
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(102,397)	**(243,572)**	(182,207)
OTHER			
Government transfers for capital (Schedule 4)	-	**94,115**	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(102,397)	**(149,457)**	(182,207)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	2,168,431	**2,168,431**	2,350,638
ACCUMULATED SURPLUS, END OF YEAR	2,066,034	**2,018,974**	2,168,431

VILLAGE OF DONALDA

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

	Budget (unaudited)	**2025**	2024
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(102,397)	**(149,457)**	(182,207)
Acquisition of tangible capital assets	-	**(90,337)**	(14,823)
Amortization of tangible capital assets	84,169	**98,318**	101,131
Loss (gain) on sale of tangible capital assets	-	**185,850**	-
	84,169	**193,831**	86,308
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(18,228)	**44,374**	(95,899)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	(66,894)	**(66,894)**	29,005
NET FINANCIAL ASSETS, END OF YEAR	(85,122)	**(22,520)**	(66,894)

VILLAGE OF DONALDA

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 of revenues over expenses	**(149,457)**	(182,207)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	**98,318**	101,131
Loss on disposal of tangible capital assets	**185,850**	-
Transfer of asset retirement obligation	**(150,000)**	-
Accretion of asset retirement obligations	**2,007**	1,949
Tangible capital assets received as contributions	**-**	-
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	**11,693**	(29,633)
Decrease (increase) in due from other governments	**(361,141)**	(253,318)
Decrease (increase) in trade and other receivables	**(53,592)**	(14,996)
Decrease (increase) in other financial assets	**-**	(191)
Increase (decrease) in accounts payable and accrued liabilities	**(35,462)**	30,457
Increase (decrease) in deferred revenue	**(106,980)**	291,937
	(558,764)	(54,871)
CAPITAL		
Acquisition of tangible capital assets	**(90,337)**	(14,823)
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	**397,775**	(21,322)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	**(251,326)**	(91,016)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**142,080**	233,096
CASH AND CASH EQUIVALENTS, END OF YEAR	**(109,246)**	142,080
CASH AND CASH EQUIVALENTS IS MADE UP OF:		
Cash and temporary investments (Note 2)	**289,208**	890,768
Less: restricted portion of cash and temporary investments (Note 2)	**(350,913)**	(748,688)
Bank indebtedness	**(47,541)**	-
	(109,246)	142,080

VILLAGE OF DONALDA

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	140,578	18,000	2,009,853	**2,168,431**	2,350,638
Excess (deficiency) of revenues over expenses	(149,457)	-	-	**(149,457)**	(182,207)
Unrestricted funds designated for future use	-	-	-	-	-
Restricted funds used for operations	-	-	-	-	-
Restricted funds used for tangible capital assets	-	-	-	-	-
Current year funds used for tangible capital assets	(90,337)	-	90,337	-	-
Contributed tangible capital assets	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	-
Writedown of tangible capital assets	185,850	-	(185,850)	-	-
Annual amortization expense	98,318	-	(98,318)	-	-
Accretion of asset retirement obligations	2,007	-	(2,007)	-	-
Transfer of Accretion of tangible capital assets	(150,000)		150,000		
Long term debt repaid	-	-	-	-	-
Change in accumulated surplus	(103,619)	-	(45,838)	**(149,457)**	(182,207)
BALANCE, END OF YEAR	36,959	18,000	1,964,015	**2,018,974**	2,168,431

VILLAGE OF DONALDA

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025
(Schedule 2)

	LAND	BUILDINGS	ENGINEERED STRUCTURES	MACHINERY AND EQUIPMENT	VEHICLES	**2025**	2024
COST:							
Balance - beginning of year	15,928	497,188	4,017,464	205,341	50,268	**4,786,189**	4,771,366
Acquisition of tangible capital assets	-	21,531	-	68,806	-	**90,337**	14,823
Write down of tangible capital assets	-	(15,287)	(243,030)	-	-	**(258,317)**	-
Balance - end of year	15,928	503,432	3,774,434	274,147	50,268	**4,618,209**	4,786,189
ACCUMULATED AMORTIZATION							
Balance - beginning of year	-	265,115	2,145,991	101,140	47,168	**2,559,414**	2,458,283
Annual amortization	-	17,122	57,587	20,509	3,100	**98,318**	101,131
Accumulated amortization on disposals	-	(15,287)	(57,180)	-	-	**(72,467)**	-
Balance - end of year	-	266,950	2,146,398	121,649	50,268	**2,585,265**	2,559,414
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	**15,928**	**236,482**	**1,628,036**	**152,498**	-	**2,032,944**	2,226,775
OPENING NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	15,928	232,073	1,871,473	104,201	3,100	2,226,775	

VILLAGE OF DONALDA

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

	Budget (Unaudited)	**2025**	2024
TAXATION			
Real property taxes	192,914	**256,034**	247,366
Linear property taxes	15,146	**15,146**	15,266
Government grants in place of property taxes	1,924	**1,924**	1,663
	209,984	**273,104**	264,295
REQUISITIONS			
Alberta School Foundation	38,535	**41,665**	37,588
County of Stettler Housing Authority	6,445	**6,322**	6,408
	44,980	**47,987**	43,996
NET MUNICIPAL TAXES	165,004	**225,117**	220,299

VILLAGE OF DONALDA

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

	Budget (Unaudited)	**2025**	2024
TRANSFERS FOR OPERATING			
Provincial Government	80,594	**74,359**	80,680
Local Governments	700	**859**	-
	81,294	**75,218**	80,680
TRANSFERS FOR CAPITAL			
Provincial Government	-	**94,115**	-
	-	**94,115**	-
TOTAL GOVERNMENT TRANSFERS	81,294	**169,333**	80,680

VILLAGE OF DONALDA

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

	Budget (Unaudited)	**2025**	2024
Expenditures			
Salaries, wages and benefits	284,706	**308,210**	303,770
Contracted and general services	121,530	**175,514**	180,698
Materials, goods and utilities	102,115	**133,357**	105,145
Provision for allowances	2,000	**5,661**	-
Transfers to other governments	46,505	**44,955**	44,963
Transfers to local boards and agencies	35,294	**39,077**	35,633
Bank charges and short term interest	2,100	**2,849**	3,118
Other expenditures	1,000	**3,788**	109
Amortization of tangible capital assets	84,169	**98,318**	101,131
Loss on disposal of tangible capital assets	-	**185,850**	-
Accretion of asset retirement obligations	-	**2,007**	1,949
	679,419	**999,586**	776,516

VILLAGE OF DONALDA

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	Total
REVENUE								
Net municipal property taxes (Schedule 2)	225,117	-	-	-	-	-	-	225,117
User fees and sales of goods	731	30,190	190	150,979	1,200	6,200	-	189,490
Penalties and costs on taxes	1,504	-	-	-	-	-	-	1,504
Licenses and permits	680	922	-	-	-	-	-	1,602
Fines	1,400	250	-	-	-	-	-	1,650
Franchise and concession contracts	60,479	-	-	-	-	-	-	60,479
Investment income	21,803	-	-	-	-	-	-	21,803
Rentals	740	-	-	-	-	1,788	7,945	10,473
Insurance proceeds	-	-	-	-	-	-	-	-
Government transfers	72,712	-	-	-	1,647	-	859	75,218
Transfers from local boards and agencies	-	-	-	-	-	-	-	-
Development levies	-	-	-	-	-	-	-	-
Other	18,678	-	-	-	-	-	-	18,678
	403,844	31,362	190	150,979	2,847	7,988	8,804	606,014
EXPENSES								
Salaries, wages and benefits	198,972	-	69,402	14,744	4,725	-	20,367	308,210
Contracted and general services	93,512	4,902	33,234	43,112	2,759	(5,339)	3,334	175,514
Purchases from other governments	-	-	-	-	-	-	-	-
Materials, goods and utilities	12,874	-	65,190	48,968	-	-	6,325	133,357
Provision for allowances	5,661	-	-	-	-	-	-	5,661
Transfers to other governments	-	40,887	-	-	-	-	4,068	44,955
Transfers to local boards and agencies	-	-	-	26,860	-	-	12,217	39,077
Transfers to individuals and agencies	-	-	-	-	-	-	-	-
Bank charges and short term interest	2,849	-	-	-	-	-	-	2,849
Interest on operating long term debt	-	-	-	-	-	-	-	-
Interest on capital long term debt	-	-	-	-	-	-	-	-
Other expenditures	3,054	-	267	467	-	-	-	3,788
	316,922	45,789	168,093	134,151	7,484	(5,339)	46,311	713,411
NET REVENUE, BEFORE AMORTIZATION	86,922	(14,427)	(167,903)	16,828	(4,637)	13,327	(37,507)	(107,397)
AMORTIZATION AND DISPOSAL OF ASSETS								
Amortization of tangible capital assets	14,833	-	47,782	34,896	-	-	807	98,318
Gain on disposal of tangible capital assets	-	-	-	185,850	-	-	-	185,850
Accretion of asset retirement obligation	461	-	327	(150,000)	-	-	1,219	(147,993)
	15,294	-	48,109	70,746	-	-	2,026	136,175
NET REVENUE	71,628	(14,427)	(216,012)	(53,918)	(4,637)	13,327	(39,533)	(243,572)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Donalda 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 village are as follows:

a) Reporting Entity

The 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 village are, therefore accountable to the Council for the 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 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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Valuation of Financial Assets and Liabilities
The village's financial assets and liabilities are measured as follows:

Financial statement component	Measurement
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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Landfill Closure and Post-Closure Liability
Pursuant to the Alberta Environmental Protection and Enhancement Act, the village 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) Revenue Recognition
Revenue from transactions with no performance obligation is recognized at realizable value when the village 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.

l) 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.

m) Non-Financial Assets
Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

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	25-50
Engineered structures - other	15-40
Engineered structures - water system	35-75
Engineered structures - wastewater system	35-75
Land improvements	15-20
Machinery and equipment	5-20
Vehicles	3-20

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.

n) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. The village 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 framework. This standard is applicable for the fiscal years beginning on or after April 1, 2026.

2. CASH AND TERM DEPOSITS

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)

	2025	2024
Canada Community Building Fund	**30,896**	30,896
Municipal Sustainability Initiative - capital	**320,017**	414,132
Alberta Water Wastewater Program	**-**	303,660
Total restricted cash and term deposits	**350,913**	748,688

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	2025	2024
Current taxes and grants in place of taxes	**59,464**	66,154
Arrears taxes	**19,914**	13,939
Less: allowance for doubtful accounts	**(10,978)**	-
	68,400	80,093

4. ASSET RETIREMENT OBLIGATION

The village owns various buildings that may contain asbestoes and, therefore, the village is leagally required to perform abatement activities upon removal or demolition of these buildings. Future abatement and demolition costs of the village buildings in 2073 is 284,836. The current estimated liability is based on a discount of 5% and annuanal inflation of 2%. The village has not designated assets for settling the liabilities.

During the year the village transferred ownership and the related liability for the demolition of the standpipe to the Shirley McClellan Regional Water Services Commission.

	2025	2024
Balance, beginning of year	**216,922**	214,973
Accretion expense	**2,007**	1,949
Transferred	**(150,000)**	-
Balance, end of year	**68,929**	216,922

5. DEFERRED INCOME

Deferred income consists of the following:	2025	2024
Canada Community Building Fund	**357,788**	294,062
Family & Community Support	**6,321**	-
Municipal Sustainability Initiative - capital	**382,621**	476,736
Local Government Fiscal Framework	**416,188**	204,626
Alberta Water Wastewater Program	**-**	303,660
Prepaid property taxes	**15,278**	6,092
	1,178,196	1,285,176

6. EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Vacation and overtime	6,560	-

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.

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 Village of Donalda be disclosed as follows:

	2025	2024
Total debt limit	1,134,021	891,464
Total debt	47,541	-
Surplus debt limit	1,086,480	891,464
Debt servicing limit	189,004	148,577
Debt servicing	49,680	-
Surplus debt servicing	139,323	148,577

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

	2025	2024
Tangible capital assets (Schedule 2)	4,618,209	4,786,189
Accumulated amortization (Schedule 2)	(2,585,265)	(2,559,414)
Asset retirement obligation	(68,929)	(216,922)
	1,964,015	2,009,853

9. ACCUMULATED SURPLUS

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

	2025	2024
Unrestricted surplus	**36,959**	140,578
Restricted surplus		
Fire department	**13,000**	13,000
Roads and streets	**5,000**	5,000
	18,000	18,000
Equity in tangible capital assets	**1,964,015**	2,009,853
	2,018,974	2,168,431

10. SEGMENTED DISCLOSURE

The Village of Donalda 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)

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
Booker	-	-	-	1,020
Briscoe	-	-	-	1,940
Czapp	**660**	-	**660**	-
Fox	**4,080**	**21**	**4,101**	1,700
Knudtson	-	-	-	1,400
Menecola	**4,020**	**31**	**4,051**	-
Metcalfe	**840**	-	**840**	-
Nelson	-	-	-	1,040
Williams	-	-	-	160
CAO - Vallet	-	-	-	86,949
CAO - Bridges	-	-	-	63,819
CAO - Veale	**95,590**	**5,524**	**101,114**	46,041
Designated Officer (4)	**11,355**	-	**11,355**	11,982

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 village is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of the membership, the village 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 village is a member of the Stettler Waste Management Authority. Under the terms of the membership, the village 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.

The Village is currently a defendant in a lawsuit by a former employee for wrongful termination. The former employee is seeking additional severence pay and additional damages, As of December 31, 2025, no amount has been recorded in the statement of financial activites and any subsequent settlement will be reflected when known.

13. FINANCIAL INSTRUMENTS

The Village'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 village is not exposed to significant interest or currency risks arising from these financial instruments.

The village 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 village 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. COMMITMENTS

The village has entered into a fire services agreement with the County of Stettler. Under the agreement, the county is to provide fire services to the village for an annual fee of $25,000.

The village is a member of the Shirley McClellan Regional Water Services Commission and as such provides a proportionate share of the annual funding for administration and capital expenditures in proportion to their allocation of water capacity of the commission.

15. COMPARITIVE FIGURES

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

16. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.