

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9

Consolidated Financial Statements

For the year ended December 31, 2025

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
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For the year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To: The Reeve and Members of Council of
the Municipal District of Pincher Creek No. 9

Opinion

We have audited the consolidated financial statements of the Municipal District of Pincher Creek No. 9 which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, remeasurement gains and losses, change in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Municipal District of Pincher Creek No. 9 as at December 31, 2025, the results of its operations, remeasurement gains and losses, change in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipal District of Pincher Creek No. 9 in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Municipal District of Pincher Creek No. 9's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Municipal District of Pincher Creek No. 9 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipal District of Pincher Creek No. 9's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipal District of Pincher Creek No. 9'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 Municipal District of Pincher Creek No. 9's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Lethbridge, Alberta

Tuesday, April 14, 2026



Chartered Professional Accountants

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Municipal District of Pincher Creek No. 9 is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements. Management believes that the consolidated financial statements present fairly the Municipal District's financial position as at December 31, 2025 and the results of its operations for the year then ended.

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

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the consolidated 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 consolidated financial statements.

The Municipal District Council carries out its responsibilities for review of the consolidated financial statements. The Council meets with management and external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have full access to the Council with and without the presence of management. The Municipal District Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Avail LLP Chartered Professional Accountants, the independent external auditors appointed by the Municipal District. The accompanying independent Auditor's Report outlines their responsibilities, the scope of the examination and their opinion on the Municipal District's consolidated financial statements.

Rotand Mulligan

Chief Administrative Officer



Director of Corporate Services

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended December 31, 2025

	Budget (Unaudited)	2025	2024
Revenue			
Net municipal property taxes (note 16)	\$ 14,373,720	\$ 14,360,804	\$ 14,057,047
User fees and sales of goods	474,650	514,727	538,917
Government transfers for operating (note 17)	883,870	837,642	690,863
Investment income	350,000	749,725	631,859
Penalties and costs of taxes	65,300	76,267	62,946
Licenses and permits	105,700	124,425	128,436
Gain on disposal of tangible capital assets	-	328,071	46,880
Rental	104,980	78,616	67,731
Other	108,590	434,372	122,890
	16,466,810	17,504,649	16,347,569
Expenses (note 18)			
General government			
Legislative	275,560	215,537	208,878
Administration	2,858,721	2,689,452	2,424,407
Protective services			
Police, fire, disaster, ambulance and bylaw enforcement	1,354,830	1,777,910	2,366,557
Transportation services			
Roads, streets, walks and lighting	7,879,240	6,567,094	7,308,846
Airport	909,633	857,494	964,272
Environmental use and protection			
Water supply and distribution	1,764,137	1,540,403	2,157,151
Wastewater treatment and disposal	332,420	340,582	179,445
Waste management	373,286	374,451	383,047
Public health and welfare			
Family and community support services	139,530	139,522	139,522
Cemeteries and crematoriums	62,000	69,805	67,020
Planning and development			
Land use planning, zoning and development	421,600	420,142	333,404
Agricultural and environmental services	724,602	681,440	616,545
Recreation and culture			
Parks and recreation	567,842	1,595,477	527,205
Culture - libraries, museums, halls	505,630	485,773	478,848
	18,169,031	17,755,082	18,155,147
Deficiency of revenue over expenses before capital revenue	(1,702,221)	(250,433)	(1,807,578)
Capital revenue			
Government transfers for capital (note 17)	3,177,000	2,540,032	2,580,785
Contributed assets	-	531,000	-
	3,177,000	3,071,032	2,580,785
Excess of revenue over expenses	1,474,779	2,820,599	773,207
Accumulated operating surplus, beginning of year	101,202,755	101,202,755	100,429,548
Accumulated operating surplus, end of year	\$ 102,677,534	\$ 104,023,354	\$ 101,202,755

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended December 31, 2025

	2025	2024
Accumulated remeasurement losses, beginning of year	\$ (341,046)	\$ -
Unrealized gains (losses) attributable to:		
Equity investments	445,999	(341,046)
Amounts reclassified to statements of operations:		
Equity investments realized gains	-	-
Net remeasurement gains (losses) for the year	445,999	(341,046)
Accumulated remeasurement gains (losses), end of year	\$ 104,953	\$ (341,046)

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the year ended December 31, 2025

	Budget (Unaudited)	2025	2024
Excess of revenue over expenses	\$ 1,474,779	\$ 2,820,599	\$ 773,207
Acquisition of tangible capital assets	(4,815,000)	(3,907,458)	(3,812,748)
Amortization of tangible capital assets	3,881,231	3,896,385	3,774,085
Contributed tangible capital assets	-	(531,000)	-
Net (gain) loss on disposal of tangible capital assets	-	(328,071)	5,564
Proceeds on disposal of tangible capital assets	-	332,198	51,048
Land purchase refund	-	10,000	-
	(933,769)	(527,946)	17,949
Net change in inventory for consumption	-	109,726	394,652
Net change in prepaid expense	-	(91,859)	101,583
Unrealized remeasurement gains (losses)	-	445,999	(341,046)
	-	463,866	155,188
Increase in net financial assets	541,010	2,756,519	946,344
Net financial assets, beginning of year	17,861,037	17,861,037	16,914,693
Net financial assets, end of year	\$ 18,402,047	\$ 20,617,556	\$ 17,861,037

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended December 31, 2025

	2025	2024
Operating transactions		
Excess of revenue over expenses	\$ 2,820,599	\$ 773,207
Adjustments for items which do not affect cash		
Net (gain) loss on disposal of tangible capital assets	(328,071)	5,564
Amortization of tangible capital assets	3,896,385	3,774,085
Land purchase refund	10,000	-
Contributed tangible capital assets	(531,000)	-
Accretion of asset retirement obligation	61,150	494,487
	5,929,063	5,047,343
Net change in non-cash working capital items		
Taxes and grants in place of taxes receivable	74,794	(67,551)
Trade and other receivables	1,180,636	728,553
Investments	(1,080,212)	368,765
Debt charges recoverable	143,555	139,423
Inventory for consumption	109,726	394,652
Prepaid expenses	(91,859)	101,583
Accounts payable and accrued liabilities	1,530,513	(861,511)
Employee benefit obligations	1,928	(49,252)
Deferred revenue	(821,137)	1,188,667
Provision for reclamation	(394,646)	11,791
	6,582,361	7,002,463
Capital transactions		
Proceeds on disposal of tangible capital assets	332,198	51,048
Acquisition of tangible capital assets	(3,907,458)	(3,812,748)
Asset retirement obligation incurred	-	531,174
	(3,575,260)	(3,230,526)
Investing transactions		
Unrealized remeasurement gain (loss)	445,999	(341,046)
Financing transactions		
Proceeds of long-term debt	-	562,165
Repayment of long-term debt	(272,864)	(265,011)
	(272,864)	297,154
Increase in cash and temporary investments	3,180,236	3,728,045
Cash and temporary investments, beginning of year	15,007,516	11,279,471
Cash and temporary investments, end of year	\$ 18,187,752	\$ 15,007,516

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

1. Significant accounting policies

The consolidated financial statements of the Municipal District of Pincher Creek No. 9 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 Municipal District of Pincher Creek No. 9 are as follows:

(a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses, changes in fund balances and change in financial position of the reporting entity which comprises all of the organizations that are owned or controlled by the Municipal District and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

Taxes levied also includes requisitions for educational, health care, 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 expense 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.

There is measurement uncertainty related to asset retirement obligations as it involves estimates in determining settlement amount, discount rates and timing of settlement. Changes to any of these estimates and assumptions may result in change to the obligation.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

1. Significant accounting policies, continued

(d) Valuation of financial assets and liabilities

The Municipal District of Pincher Creek No. 9's financial assets and financial liabilities are measured as follows:

Financial statement component	Measurement
Cash	Cost and 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 in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations. Investments in interest bearing securities 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) Inventories for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and leveling charges. Related development costs incurred to provide infrastructure such as water and waste water services, roads, sidewalks, and street lighting are recorded as physical assets under their respective function.

(g) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long-term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long-term debt, less actuarial requirements for the retirement of any sinking fund debentures.

(h) Gravel pit closure

Pursuant to the gravel pit contracts, the Municipal District is required to fund the reclamation work for gravel pits. Closure activities include the final clay cover landscaping, and reclamation monitoring. The requirement is being provided for over the estimated remaining life of the gravel pits based on usage.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

1. Significant accounting policies, continued

(i) 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.

(j) Tax revenue

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

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

(k) Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Municipal District to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Municipal District reviews the carrying amount of the liability. The Municipal District recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Municipal District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(l) Reserves for future expenses

Reserves are established at the discretion of Council to set aside funds for future operating and capital expenses. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

1. Significant accounting policies, continued

(m) 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.

(n) 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 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.

(o) 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
Land improvements	10-40
Buildings	25-50
Engineered structures	10-75
Machinery and equipment	5-15
Vehicles	15

Assets under construction are not amortized until 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.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

1. Significant accounting policies, continued

(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.

(p) Future accounting standards pronouncements

The following summarizes upcoming changes to Canadian public sector accounting standards. In 2026, the Municipal District 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.

a) The Conceptual Framework of Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of the specific standards. The standard is applicable for the fiscal years beginning on or after April 1, 2026.

b) PS 1202 Financial Statement Presentation

Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework. The standard is applicable for the fiscal years beginning on or after April 1, 2026.

2. Cash and temporary investments

	2025	2024
Savings accounts	\$ 12,544,762	\$ 13,142,735
Operating accounts	5,642,990	1,864,781
	\$ 18,187,752	\$ 15,007,516

3. Taxes and grants in place of taxes receivables

	2025	2024
Taxes and grants in place of taxes receivable	\$ 193,584	\$ 191,052
Arrears	32,131	109,457
	\$ 225,715	\$ 300,509

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

4. Trade and other receivables

	2025	2024
Grants	\$ 2,920,908	\$ 4,242,346
Goods and Services Tax	213,447	102,720
Trade receivables	400,705	370,631
	\$ 3,535,060	\$ 4,715,697

5. Debt charges recoverable

	2025	2024
Current debt charges recoverable	\$ 147,810	\$ 143,555
Non-current debt charges recoverable	983,532	1,131,342
	\$ 1,131,342	\$ 1,274,897

The Municipal District has undertaken a joint landfill road development project with the Crowsnest/Pincher Creek Landfill Association. The Municipal District assumed long-term financing totaling \$3,607,273 in 2012; however, \$2,053,502 plus interest at 2.94% is recoverable from the Landfill Association with respect to this financing. Amounts are recoverable in bi-annual principal and interest payments of \$90,007 until September 1, 2032.

	Principal	Interest	Total
2026	\$ 147,810	\$ 32,205	\$ 180,015
2027	152,191	27,824	180,015
2028	156,701	23,314	180,015
2029	161,345	18,670	180,015
2030	166,127	13,888	180,015
Thereafter	347,169	12,861	360,030
	\$ 1,131,342	\$ 128,762	\$ 1,260,105

6. Investments

	2025		2024	
	Carrying value	Market value	Carrying value	Market value
Fixed income investments	\$ 10,877,863	\$ 10,587,345	\$ 9,797,651	\$ 9,262,697
Castle Mountain Resort	50,000	58,820	50,000	58,820
Other	3,300	3,340	3,300	3,340
	\$ 10,931,163	\$ 10,649,505	\$ 9,850,951	\$ 9,324,857

Fixed income investments quoted in an active market are carried at fair value, otherwise are carried at amortized cost, have interest rates of 1.67% to 4.86% (2024 - 1.67% to 4.86%) and maturity dates from 2026 to 2033. The other long-term investments are not traded in an organized financial market. Unrealized gains(losses) on equity instruments carried at fair value of \$104,953 (2024 - (\$341,046)) have been recognized in the statement of remeasurement gains and losses.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

7. Authorized overdraft

The Municipal District has an authorized overdraft with the CIBC up to \$5,000,000. As of December 31, 2025 the overdraft un-drawn (2024 - \$0)

8. Employee benefit obligations

	2025	2024
Vacation and time in lieu	\$ 42,803	\$ 41,431
Sick time	80,407	79,851
	<u>\$ 123,210</u>	<u>\$ 121,282</u>

Vacation and time in lieu

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

9. Provision for gravel pit closure

The Municipal District is required under contract to perform post-closure costs of several gravel pits. The accrued liability portion for the gravel pits is based on an estimate of future costs. The estimated closure costs for the gravel pits are \$962,539 (2024 - \$1,357,185), all costs have been accrued in the financial statements.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

10. Deferred revenue

	2024	Received	Recognized	2025
Local Government Fiscal Framework	\$ 1,021,407	\$ 1,154,810	\$ -	\$ 2,176,217
Municipal Sustainability Initiative	2,318,230	94,576	1,459,991	952,815
Watercourse Crossing Remediation Grant Program	1,225,546	44,744	424,199	846,091
Canada Community-Building Fund	850,833	261,113	301,858	810,088
Clean Energy Improvement Program	259,625	9,024	27,651	240,998
Watershed Resiliency and Restoration Grant Program	75,842	182,500	123,914	134,428
Drought and Flood Protection Program	96,087	4,733	68,334	32,486
Livingstone Range Planning	42,472	-	17,473	24,999
Community Foundation - water conservation project	-	7,500	-	7,500
Alberta Community Partnership - road study	89,173	-	89,173	-
Watercourse Crossing Remediation Grant Program	67,544	-	67,544	-
	\$ 6,046,759	\$ 1,759,000	\$ 2,580,137	\$ 5,225,622

The use of the deferred revenue, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

11. Long-term debt

	2025	2024
Capital		
Tax supported debentures - capital	\$ 2,150,409	\$ 2,423,274
Self supported debentures - clean energy improvement program	562,165	562,165
	\$ 2,712,574	\$ 2,985,439
Current portion	\$ 280,951	\$ 272,864

Principal and interest repayments are due as follows:

	Principal	Interest	Total
2026	\$ 280,951	\$ 72,457	\$ 353,408
2027	289,278	64,130	353,408
2028	311,257	67,993	379,250
2029	333,490	46,359	379,849
2030	342,579	36,704	379,283
Thereafter	1,155,019	338,683	1,493,702
	\$ 2,712,574	\$ 626,326	\$ 3,338,900

Debenture debt is repayable to the Treasury Board and Finance and bears interest at 2.94% per annum with a maturity date of 2032. Debenture debt is issued on the credit and security of the Municipal District at large.

Interest on long-term debt amounted to \$80,544 (2024 - \$82,807). The Municipal District's cash payments for interest in 2025 were \$80,544 (2024 - \$82,807).

Federation of Canadian Municipalities operating loan is for the Clean Energy Improvement program. This loan bears interest at 2.00%, principal payments are not repayable until 2028. This loan matures in 2049.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

12. Asset retirement obligations

Asbestos abatement

The Municipal District owns buildings which contain asbestos and lagoons that will eventually need to be decommissioned. Therefore, the Municipal District is legally required to perform abatement activities upon renovation or demolition of the assets. Abatement activities include handling and disposal of the asbestos in a prescribed manner when it is disturbed and decommissioning the lagoons. The estimated total liability is based on the sum of discounted future cash flows for abatement activities using a discount rate of 4% and assuming annual inflation of 2%. The Municipal District has not designated assets for settling the abatement activities.

Asset retirement obligations are expected to be settled over the next 50 to 75 years.

	2025	2024
Balance, beginning of year	\$ 1,528,760	\$ 503,099
Liabilities incurred	-	531,174
Liabilities settled	-	-
Change in estimated cash flows	-	-
Accretion expense	61,150	494,487
Balance, end of year	\$ 1,589,910	\$ 1,528,760

13. Accumulated operating surplus

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

	2025	2024
Unrestricted surplus	\$ 5,668,038	\$ 5,146,196
Internally restricted reserves (note 14)	19,403,976	17,701,323
Equity in tangible capital assets (note 15)	78,951,340	78,355,236
	\$ 104,023,354	\$ 101,202,755

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

14. Reserves

Council has set up reserves for various purposes. These reserves are either required by legislation or set up at the discretion of Council to provide funding for future expenses.

	2025	2024
Operating		
Tax rate stabilization	\$ 1,934,650	\$ 2,061,347
Next year completions	174,978	32,223
Emergency management	61,001	61,001
	2,170,629	2,154,571
Capital		
Equipment	4,827,966	4,442,571
Bridge infrastructure	3,461,852	3,595,857
Road infrastructure	3,287,626	3,262,095
Water and wastewater infrastructure	2,537,233	1,794,780
Emergency services	709,370	209,370
Regional community initiatives	623,309	591,434
Buildings	526,254	440,908
Dam (Water Storage)	475,000	475,000
Seniors housing	350,000	300,000
Airport	329,771	329,771
Recycle equipment	104,966	104,966
	17,233,347	15,546,752
	\$ 19,403,976	\$ 17,701,323

15. Equity in tangible capital assets

	2025	2024
Tangible capital assets (schedule 2)	\$ 257,275,136	\$ 254,013,496
Accumulated amortization (schedule 2)	(175,714,819)	(172,981,123)
Asset retirement obligation	(1,589,910)	(1,528,760)
Long-term debt (note 11)	(2,150,409)	(2,423,274)
Debt charges recoverable (note 7)	1,131,342	1,274,897
	\$ 78,951,340	\$ 78,355,236

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

16. Net municipal property taxes

	Budget (Unaudited)	2025	2024
Net municipal taxes (after requisitions)			
Real property taxes	\$ 11,517,830	\$ 11,440,872	\$ 11,259,424
Linear property taxes	2,855,890	2,919,932	2,797,623
	<u>14,373,720</u>	<u>14,360,804</u>	<u>14,057,047</u>
Requisitions			
Alberta School Foundation Fund - basic levy	3,232,080	3,472,486	3,012,643
Pincher Creek Foundation	386,650	386,653	157,522
Alberta School Foundation Fund - opted out jurisdiction	167,000	189,222	357,585
Designated Industrial Property	74,720	69,231	74,600
	<u>\$ 3,860,450</u>	<u>\$ 4,117,592</u>	<u>\$ 3,602,350</u>

17. Government transfers

	Budget (Unaudited)	2025	2024
Transfers for operating:			
Provincial government	\$ 883,870	\$ 742,881	\$ 690,863
Federal Government	-	94,761	-
	<u>883,870</u>	<u>837,642</u>	<u>690,863</u>
Transfers for capital:			
Provincial government	3,177,000	2,238,174	2,020,040
Federal government	-	301,858	560,745
	<u>3,177,000</u>	<u>2,540,032</u>	<u>2,580,785</u>
	<u>\$ 4,060,870</u>	<u>\$ 3,377,674</u>	<u>\$ 3,271,648</u>

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

18. Expenses by object

	Budget (Unaudited)	2025	2024
Salaries, wages, and benefits	\$ 5,540,130	\$ 4,704,023	\$ 4,408,736
Contracted and general services	3,923,660	3,121,587	3,752,532
Materials, goods, supplies and utilities	2,564,420	2,120,944	2,388,777
Bank charges and short term interest	10,000	9,213	9,758
Interest on long term debt	74,950	80,544	82,807
Other expenditures	13,350	78,945	248
Transfers to local boards and agencies	2,161,290	3,682,291	3,243,717
Amortization of tangible capital assets	3,881,231	3,896,385	3,774,085
Accretion of asset retirement obligation	-	61,150	494,487
	\$ 18,169,031	\$ 17,755,082	\$ 18,155,147

19. Debt limits and debt servicing limit

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

	2025	2024
Total debt limit	\$ 26,256,972	\$ 24,009,783
Total debt	2,150,409	2,423,274
	\$ 24,106,563	\$ 21,586,509
Debt servicing limit	\$ 4,376,162	\$ 4,001,631
Debt servicing	353,408	342,165
	\$ 4,022,754	\$ 3,659,466

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.

20. Segmented disclosure

The Municipal District 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 3).

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

21. Commitments and contingencies

The Municipal District is a member of the Alberta Local Authorities Reciprocal Insurance Exchange. Under the terms of membership, the Municipal District 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 Municipal District has agreed to fund half of the Pincher Creek Emergency Services Commission capital renovation of the fire hall with the Town of Pincher Creek funding the other half. The Municipal District approved a maximum of \$2,000,000 split equally with the Town of Pincher Creek. The Municipal District has paid \$500,000 as of December 31, 2025 and has a remaining commitment of up to a maximum of \$500,000 remaining.

22. Local authorities pension plan

Employees of the Municipal District of Pincher Creek No. 9 participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pensions Plans Act. The LAPP is financed by the 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 Municipal District of Pincher Creek No. 9 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.

Total current service contributions by the Municipal District of Pincher Creek No. 9 to the LAPP in 2025 were \$276,340 (2024 - \$237,756). Total current service contributions by the employees of the Municipal District of Pincher Creek No. 9 to the LAPP in 2025 were \$246,145 (2024 - \$212,429).

At December 31, 2024, the LAPP disclosed an actuarial surplus of \$19.56 billion.

23. Financial instruments

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

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

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

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

24. Salary and benefits disclosure

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

	(1)	(2)	2025	2024
	Salary	Benefits & allowances		
Council				
Bruder, Tony	\$ 29,175	\$ 6,148	\$ 35,323	\$ 33,106
Cox, Dave	33,613	5,606	39,219	47,883
Lemire, Rick	31,950	3,594	35,544	30,405
MacGarva, John	31,075	6,885	37,960	40,188
Welsch, Jim	29,300	4,040	33,340	17,064
Hollingshead, Harold	-	-	-	2,089
CAO - Milligan	165,302	24,448	189,750	186,673
Designated officer	\$ 106,545	\$ 2,941	\$ 109,486	\$ 109,486

(1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration. For Councilors, salary includes a monthly allowance and per diem reimbursement for authorized meetings attended.

(2) For non-elected officials, employers share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, and long and short-term plans as well as travel allowances. For elected officials, employers share of a technology allowance and mileage.

25. Budget amounts

The 2025 budget for the Municipal District was approved by Council on December 10, 2024 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified. The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

Budgeted surplus per financial statements	\$ 1,474,779
Less: Capital expenditures	(4,815,000)
Long-term debt repayments	(272,870)
Transfers to operating reserves	(182,800)
Add: Amortization	3,881,231
Transfers from capital reserves	(85,340)
Equals: Balanced budget	\$ -

26. Approval of financial statements

These financial statements were approved by Council and Management.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

Schedule of changes in accumulated operating surplus				Schedule 1	
	Unrestricted	Restricted reserves	Equity in tangible capital assets	2025	2024
Balance, beginning of year	\$ 5,146,196	\$ 17,701,323	\$ 78,355,236	\$ 101,202,755	\$ 100,429,548
Excess of revenue over expenses	2,820,599	-	-	2,820,599	773,207
Unrestricted funds designated for future use	(4,912,645)	4,912,645	-	-	-
Restricted funds used for operations	1,842,565	(1,842,565)	-	-	-
Restricted funds used for tangible capital assets	-	(1,367,427)	1,367,427	-	-
Current year funds used for tangible capital assets	(2,540,032)	-	2,540,032	-	-
Contributed tangible capital assets	(531,000)	-	531,000	-	-
Disposal of tangible capital assets	4,128	-	(4,128)	-	-
Amortization of tangible capital assets	3,896,385	-	(3,896,385)	-	-
Write-down of tangible capital assets	10,000	-	(10,000)	-	-
Asset retirement obligation accretion expense	61,150	-	(61,150)	-	-
Debt charges recovered	143,556	-	(143,556)	-	-
Long-term debt related to tangible capital assets repaid	(272,864)	-	272,864	-	-
Change in accumulated surplus	521,842	1,702,653	596,104	2,820,599	773,207
Balance, end of year	\$ 5,668,038	\$ 19,403,976	\$ 78,951,340	\$ 104,023,354	\$ 101,202,755

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

Schedule of tangible capital assets

Schedule 2

	Land	Land improvements	Buildings	Engineered structures	Machinery and equipment	Vehicles	Construction in progress	2025	2024
Cost:									
Balance, beginning of year	\$ 4,053,148	\$ 516,607	\$ 8,019,401	\$ 223,905,116	\$ 11,902,468	\$ 2,348,416	\$ 3,268,340	\$ 254,013,495	\$ 250,362,389
Acquisitions	-	-	143,516	414,000	1,667,353	71,655	2,141,934	4,438,458	3,812,748
Transfers	-	-	-	3,099,912	-	113,052	(3,212,964)	-	-
Disposals	-	-	-	-	(1,051,756)	(115,061)	-	(1,166,817)	(161,641)
Write downs	(10,000)	-	-	-	-	-	-	(10,000)	-
Balance, end of year	4,043,148	516,607	8,162,917	227,419,028	12,518,065	2,418,062	2,197,310	257,275,136	254,013,496
Accumulated amortization:									
Balance, beginning of year	-	159,197	2,722,757	159,983,815	8,371,699	1,743,655	-	172,981,123	169,312,069
Annual amortization	-	23,584	179,216	3,025,428	551,378	116,779	-	3,896,385	3,774,085
Disposals	-	-	-	-	(1,047,628)	(115,061)	-	(1,162,689)	(105,031)
Balance, end of year	-	182,781	2,901,973	163,009,243	7,875,449	1,745,373	-	175,714,819	172,981,123
Net book value	\$ 4,043,148	\$ 333,826	\$ 5,260,944	\$ 64,409,785	\$ 4,642,616	\$ 672,689	\$ 2,197,310	\$ 81,560,317	\$ 81,032,373
2024 net book value	\$ 4,053,148	\$ 357,410	\$ 5,296,644	\$ 63,921,301	\$ 3,530,769	\$ 604,761	\$ 3,268,340	\$ 81,032,373	

Buildings of \$117,000 and engineered structures of \$414,000 (2024 - \$0) were acquired as contributed tangible capital assets.

MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2025

Schedule of segmented disclosure

Schedule 3

	General government	Protective services	Transportation services	Environmental services	Public health services	Planning and development	Recreation and culture	Total
Revenue								
Net municipal property taxes	\$ 14,360,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,360,804
User fees and sales of goods	9,631	20,756	96,617	303,794	-	83,929	-	514,727
Government transfers for operating	-	-	246,229	62,338	111,618	417,457	-	837,642
Investment income	749,725	-	-	-	-	-	-	749,725
Penalties and costs of taxes	76,267	-	-	-	-	-	-	76,267
Licenses and permits	-	-	-	-	-	124,425	-	124,425
Gain on disposal of capital assets	-	-	328,071	-	-	-	-	328,071
Rental	26,420	-	51,499	-	-	697	-	78,616
Other	5,324	-	332,786	59,480	-	36,782	-	434,372
	15,228,171	20,756	1,055,202	425,612	111,618	663,290	-	17,504,649
Expenses								
Salaries, wages and benefits	1,641,553	58,953	2,351,713	207,665	-	444,139	-	4,704,023
Contracted and general services	688,386	318,920	858,875	759,579	-	488,497	7,330	3,121,587
Materials, goods, supplies and utilities	232,326	35,752	1,511,977	234,715	-	102,665	3,509	2,120,944
Bank charges and short term interest	9,213	-	-	-	-	-	-	9,213
Interest on long term debt	11,243	-	48,613	20,688	-	-	-	80,544
Other expenditures	78,569	-	88	-	-	288	-	78,945
Transfers to local boards and agencies	16,708	1,360,516	-	-	209,327	34,471	2,061,269	3,682,291
Amortization of tangible capital assets	226,991	3,768	2,625,493	999,469	-	31,522	9,142	3,896,385
Accretion of asset retirement obligation	-	-	27,830	33,320	-	-	-	61,150
	2,904,989	1,777,909	7,424,589	2,255,436	209,327	1,101,582	2,081,250	17,755,082
Excess (deficiency) of revenue over expenses before capital revenue	12,323,182	(1,757,153)	(6,369,387)	(1,829,824)	(97,709)	(438,292)	(2,081,250)	(250,433)
Other								
Government transfers for capital	-	-	2,320,773	219,259	-	-	-	2,540,032
Contributed assets	-	-	531,000	-	-	-	-	531,000
	-	-	2,851,773	219,259	-	-	-	3,071,032
Excess (deficiency) of revenue over expenses	\$ 12,323,182	\$ (1,757,153)	\$ (3,517,614)	\$ (1,610,565)	\$ (97,709)	\$ (438,292)	\$ (2,081,250)	\$ 2,820,599