

TOWN OF THORSBY
FINANCIAL STATEMENTS
DECEMBER 31, 2025

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Mayor and Council of the Town of Thorsby

The accompanying financial statements of the Town of Thorsby are the responsibility of management and have been approved by Council.


Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In fulfilling its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

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

JAM Accounting Group LLP is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both Council and management to discuss their audit findings.

Thorsby, Alberta
May 1, 2026



Mrs. Donna Tona
Chief Administrative Officer





ST. ARNAUD PINSENT STEMAN

CHARTERED PROFESSIONAL ACCOUNTANTS
AN ASSOCIATION TO PRACTISE CHARTERED PROFESSIONAL ACCOUNTANCY

Daniel J. St. Arnaud, CPA, CA ▪
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JAM Accounting Group LLP ◻

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the Town of Thorsby

Opinion

We have audited the financial statements of Town of Thorsby (the "Town"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations and accumulated surplus, changes in net financial debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Town of Thorsby at December 31, 2025, and its financial performance and 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 Town in accordance with the ethical requirements that are relevant to our audit of the 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 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 Town'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 organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 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 Town'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 Association 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 Town 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.

Report on Other Legal and Regulatory Matters

Debt Limit Regulation:

In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Entity's debt limit can be found in Note 10.

Supplementary Accounting Principles and Standards Regulation:

In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 14.

JAM Accounting Group LLP

Edmonton, Alberta
May 1, 2026

JAM Accounting Group LLP
Chartered Professional Accountants

TOWN OF THORSBY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

	<u>2025</u>	<u>2024</u>
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	2,022,178	1,865,116
Taxes and grants in place of taxes (Note 2)	251,968	276,007
Trade, grants and other receivables	275,287	514,626
Provincial governments receivables	785,022	753,019
Other local government receivables	<u>122,021</u>	<u>122,463</u>
	<u>3,456,476</u>	<u>3,531,231</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 3)	190,234	345,557
Employee benefit obligation	57,149	72,877
Deferred revenue (Note 4)	876,941	1,097,854
Term debt (Note 5)	1,811,848	2,064,176
Asset retirement obligation (Note 9)	<u>3,943,774</u>	<u>3,943,774</u>
	<u>6,879,946</u>	<u>7,524,238</u>
NET FINANCIAL DEBT	<u>(3,423,470)</u>	<u>(3,993,007)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	8,679	9,442
Tangible capital assets (Schedule 2)	<u>19,152,879</u>	<u>19,064,989</u>
	<u>19,161,558</u>	<u>19,074,431</u>
ACCUMULATED SURPLUS (Schedule 1, Note 12)	<u>15,738,088</u>	<u>15,081,424</u>
CONTINGENCIES (Note 7)		

**TOWN OF THORSBY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Budget</u> (Note 17)	<u>2025</u>	<u>2024</u>
	\$	\$	\$
REVENUE			
Net municipal taxes (Schedule 3)	1,720,383	1,760,305	1,696,896
Sales and user charges	844,950	909,073	923,420
Government transfers for operating (Schedule 4)	520,824	485,136	489,832
Franchise and concession contracts (Note 8)	330,000	322,477	323,696
Rentals	217,825	195,947	144,837
Interest	50,000	71,634	98,677
Penalties and costs on taxes and utilities	30,000	53,890	46,153
Licenses and permits	17,250	22,974	22,271
Other	11,000	10,725	6,821
Program revenues	30,000	1,813	2,186
Fines	1,500	-	-
	<u>3,773,732</u>	<u>3,833,974</u>	<u>3,754,789</u>
EXPENSES			
Legislative	88,400	71,688	77,026
Administration	557,551	537,422	538,888
Bylaws enforcement	65,650	32,886	58,013
Fire and protective services	124,939	113,288	112,228
Roads, streets, walks and lighting	322,338	214,291	207,894
Common	688,460	446,103	539,821
Water supply and distribution	662,116	539,097	576,047
Waste water treatment and disposal	200,930	96,572	91,555
Waste management	73,600	80,664	78,807
Family and community support	47,400	33,721	47,940
Land use planning, zoning and development	40,563	56,293	38,635
Parks and recreation	864,349	804,626	714,747
Culture: libraries, museums and halls	81,272	81,166	76,691
	<u>3,817,568</u>	<u>3,107,817</u>	<u>3,158,292</u>
SURPLUS BEFORE OTHER ITEMS	(43,836)	726,157	596,497
Government transfers for capital (Schedule 4)	-	683,274	590,016
Amortization of tangible capital assets	-	<u>(752,767)</u>	<u>(769,485)</u>
	-	(69,493)	(179,469)
SURPLUS FOR THE YEAR	<u>(43,836)</u>	<u>656,664</u>	<u>417,028</u>

**TOWN OF THORSBY
STATEMENT OF CHANGES IN NET FINANCIAL DEBT
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>2025</u>	<u>2024</u>
	\$	\$
SURPLUS FOR THE YEAR	<u>656,664</u>	<u>417,028</u>
Amortization of tangible assets	752,767	769,485
Asset retirement obligation	-	17,500
Acquisition of tangible capital assets	(840,658)	(671,438)
Reduction of prepaid expenses	<u>764</u>	<u>8,601</u>
	<u>(87,127)</u>	<u>124,148</u>
DECREASE IN NET FINANCIAL DEBT	569,537	541,176
NET FINANCIAL DEBT - BEGINNING OF YEAR	<u>(3,993,007)</u>	<u>(4,534,183)</u>
NET FINANCIAL DEBT - END OF YEAR	<u><u>(3,423,470)</u></u>	<u><u>(3,993,007)</u></u>

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

	<u>2025</u>	<u>2024</u>
	\$	\$
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Annual surplus for the year	656,664	417,028
Less: Non-cash items included in annual surplus		
Amortization	752,767	769,485
Asset retirement obligation tangible capital assets	<u>-</u>	<u>17,500</u>
	1,409,431	1,204,013
Changes in working capital excluding cash:		
Taxes and grants in place of taxes	24,039	(60,919)
Trade, grants and other receivable	239,339	(121,089)
Provincial governments receivables	(32,003)	(130,850)
Other local government receivables	442	8,027
Prepaid expenses	763	8,602
Accounts payable and accrued liabilities	(171,050)	96,438
Deferred revenue	(220,913)	(174,551)
Asset retirement obligation	<u>-</u>	<u>(17,500)</u>
	<u>(159,383)</u>	<u>(391,842)</u>
	<u>1,250,048</u>	<u>812,171</u>
CASH USED IN INVESTING ACTIVITIES		
Purchase of tangible capital assets	<u>(840,658)</u>	<u>(671,438)</u>
CASH USED IN FINANCING ACTIVITIES		
Repayment of long term debt	<u>(252,328)</u>	<u>(256,428)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	157,062	(115,695)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,865,116</u>	<u>1,980,811</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>2,022,178</u></u>	<u><u>1,865,116</u></u>

TOWN OF THORSBY
SCHEDULE 1: CHANGES IN ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2025	2024
BALANCE, BEGINNING OF YEAR	\$ 935,638	\$ 1,088,748	\$ 13,057,038	\$ 15,081,424	\$ 14,664,396
Surplus of revenues over expenses	656,664	-	-	656,664	417,028
Current year funds used for capital assets	(840,658)	-	840,658	-	-
Annual amortization expense	752,767	-	(752,767)	-	-
Long term debt repaid	(252,328)	-	252,328	-	-
Change in accumulated surplus	316,445	-	340,219	656,664	417,028
BALANCE, END OF YEAR	1,252,083	1,088,748	13,397,257	15,738,088	15,081,424

TOWN OF THORSBY
SCHEDULE 2: TANGIBLE CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Land	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2025	2024
COST							
Balance, beginning of year	\$ 613,196	\$ 8,536,636	\$ 25,643,389	\$ 2,461,425	\$ 136,355	\$ 37,391,001	\$ 36,737,063
Acquisition	-	30,000	706,979	-	103,679	840,658	671,438
Disposal	-	-	-	-	-	-	(17,500)
Balance, end of year	613,196	8,566,636	26,350,368	2,461,425	240,034	38,231,659	37,391,001
ACCUMULATED AMORTIZATION							
Balance, beginning of year	-	3,606,763	13,153,239	1,443,426	122,584	18,326,012	17,556,528
Amortization expense	-	177,941	474,364	106,831	(6,369)	752,767	769,484
Balance, end of year	-	3,784,704	13,627,603	1,550,257	116,216	19,078,780	18,326,012
NET BOOK VALUE	613,196	4,781,932	12,722,765	911,168	123,818	19,152,879	19,064,989
<i>NET BOOK VALUE, 2024</i>	<i>613,196</i>	<i>4,929,873</i>	<i>12,490,150</i>	<i>1,017,999</i>	<i>13,771</i>	<i>19,064,989</i>	

TOWN OF THORSBY
SCHEDULE 3: PROPERTY TAXES LEVIED
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Budget</u>	<u>2025</u>	<u>2024</u>
	\$	\$	\$
TAXATION			
Real property taxes	2,027,851	1,968,455	1,885,899
Designated industrial property taxes	267	99,331	93,166
Government grants in lieu of property taxes	<u>9,565</u>	<u>9,819</u>	<u>9,428</u>
	2,037,683	2,077,605	1,988,493
REQUISITIONS			
Alberta School Foundation	304,495	304,495	288,796
Leduc Foundation	12,805	12,805	2,801
	<u>317,300</u>	<u>317,300</u>	<u>291,597</u>
NET MUNICIPAL PROPERTY TAXES	<u><u>1,720,383</u></u>	<u><u>1,760,305</u></u>	<u><u>1,696,896</u></u>

TOWN OF THORSBY
SCHEDULE 4: GOVERNMENT TRANSFERS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Budget</u>	<u>2025</u>	<u>2024</u>
	\$	\$	\$
TRANSFERS FOR OPERATING			
Provincial government	88,970	115,970	114,737
Local government	431,854	367,141	366,720
Federal governments	<u>-</u>	<u>2,025</u>	<u>8,375</u>
	520,824	485,136	489,832
TRANSFERS FOR CAPITAL			
Provincial government	<u>-</u>	<u>683,274</u>	<u>590,016</u>
TOTAL GOVERNMENT TRANSFERS	<u><u>520,824</u></u>	<u><u>1,168,410</u></u>	<u><u>1,079,848</u></u>

TOWN OF THORSBY
SCHEDULE 5: SEGMENTED INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health & Welfare	Planning & Development	Recreation & Culture	Total
REVENUE								
Net municipal property taxes (Schedule 3)	\$ 1,760,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,760,305
User fees and sale of goods	-	-	-	804,831	5,022	-	99,220	909,073
Penalties and costs on taxes	53,890	-	-	-	-	-	-	53,890
Licenses and permits	11,790	865	-	-	-	10,319	-	22,974
Franchise and concession contracts (Note 8)	322,477	-	-	-	-	-	-	322,477
Interest income	71,634	-	-	-	-	-	-	71,634
Rentals	1,000	-	-	-	-	-	194,947	195,947
Government transfers (Schedule 4)	772,244	-	2,025	-	27,000	-	367,141	1,168,410
Program revenues	1,813	-	-	-	-	-	-	1,813
Other	1,725	-	-	-	-	-	9,000	10,725
	<u>2,996,878</u>	<u>865</u>	<u>2,025</u>	<u>804,831</u>	<u>32,022</u>	<u>10,319</u>	<u>670,308</u>	<u>4,517,248</u>
EXPENSES								
Salaries, wages and benefits (Note 15)	219,405	-	370,972	142,365	17,889	-	358,959	1,109,590
Contracted and general services	300,823	144,278	65,440	383,295	7,312	56,293	242,530	1,199,971
Materials, goods and utilities	83,951	1,895	200,561	153,853	8,520	-	216,303	665,083
Provision for allowances	4,932	-	-	-	-	-	-	4,932
Transfers to local boards and agencies	-	-	-	-	-	-	68,000	68,000
Interest on long term debt - capital	-	-	23,421	36,820	-	-	-	60,241
	<u>609,111</u>	<u>146,173</u>	<u>660,394</u>	<u>716,333</u>	<u>33,721</u>	<u>56,293</u>	<u>885,792</u>	<u>3,107,817</u>
NET REVENUE (LOSS) BEFORE AMORTIZATION	2,387,767	(145,308)	(658,369)	88,498	(1,699)	(45,974)	(215,484)	1,409,431
Amortization of tangible capital assets	20,892	-	183,035	340,779	-	-	208,061	752,767
NET REVENUE (LOSS)	<u>2,366,875</u>	<u>(145,308)</u>	<u>(841,404)</u>	<u>(252,281)</u>	<u>(1,699)</u>	<u>(45,974)</u>	<u>(423,545)</u>	<u>656,664</u>

TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Thorsby (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of CPA Canada. Significant aspects of the accounting policies adopted by the town 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 all the organizations that are owned or controlled by the Town and are, therefore, accountable to the Mayor and 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.

d) Cash and Cash Equivalents

Cash and cash equivalents include items that are readily convertible to known amounts of cash, are subject to insignificant risk of change in value, and have a maturity of one year or less at acquisition.

e) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Requisition Over-levy and Under-levy (Continued)

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

f) Inventories for Resale

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

g) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

h) Contaminated Sites

Contaminated sites are defined as a result of contamination being introduced in air, soil, water, or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. A liability for remediation on contaminated sites is recognized, net of any recoveries, when an environmental standard exists, contamination exceeds the environmental standard, the Town is directly responsible for or accepts responsibility for the liability, future economic benefits will be given up, and a reasonable estimate of the liability can be made.

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) Asset Retirement Obligations

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 Town 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.

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

j) Asset retirement obligations (Continued)

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town 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 town 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.

k) Non-Financial Assets

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

Buildings	10, 20, & 50 years
Engineered Structures - Roadways	10, 20, & 25 years
Engineered Structures - water system and wastewater system	40, 60, & 100 years
Engineered structures - wastewater system	40, 60, & 100 years
Machinery and Equipment	5, 10, 15, & 20 years
Vehicles	10 – 20 years

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 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.

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

2. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLES

	<u>2025</u>	<u>2024</u>
	\$	\$
Current taxes and grants in place of taxes	154,748	176,303
Arrears taxes	<u>97,220</u>	<u>99,704</u>
	<u><u>251,968</u></u>	<u><u>276,007</u></u>

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	<u>2025</u>	<u>2024</u>
	\$	\$
Trades payable	69,022	206,645
Accrued debenture interest	10,629	12,495
Accrued liabilities	<u>110,583</u>	<u>126,417</u>
	<u><u>190,234</u></u>	<u><u>345,557</u></u>

4. DEFERRED REVENUE

Deferred revenue consists of the following:

	<u>2025</u>	<u>2024</u>
	\$	\$
Municipal Sustainable Initiative - capital	272,755	506,127
Local Government Fiscal Framework (LGFF) grant	572,611	325,786
Canada Community Building Fund	28,200	265,691
Business licenses	2,375	250
Land lease	<u>1,000</u>	<u>-</u>
	<u><u>876,941</u></u>	<u><u>1,097,854</u></u>

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
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5. TERM DEBT

	<u>2025</u>	<u>2024</u>
	\$	\$
Tax-supported debentures	<u>1,811,848</u>	<u>2,064,176</u>

Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2026	213,123	54,003	267,126
2027	131,185	48,489	179,674
2028	114,376	44,777	159,153
2029	117,966	41,186	159,153
2030	121,670	37,482	159,153
To maturity	<u>1,113,528</u>	<u>151,183</u>	<u>1,264,711</u>
	<u>1,811,848</u>	<u>377,120</u>	<u>2,188,970</u>

Debenture debt is repayable to Alberta Capital Financing Authority and bears interest at rates ranging from 1.86% to 3.97% per annum. Maturity occurs in periods from 2020 through 2039. Debenture debt is issued on the credit and security of the Town of Thorsby.

Total payments for interest on long-term debt in 2025 amounted to \$60,241 (2024 – \$68,247).

6. CREDIT FACILITY

The Town has access to a revolving line of credit with a limit of \$1,000,000, bearing interest at prime rate minus 0.25%. At December 31, 2025 and 2024 the revolving line of credit was not drawn upon.

7. CONTINGENCIES

The Town is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of 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.

In the ordinary course of business, the Town is involved in lawsuits, claims, investigations, and proceedings. Although the outcome of any legal proceedings cannot be predicted with certainty, management is of the opinion that, apart from those cases where a provision has already been recognized, there are no such matters pending which would be likely to have any material adverse effect in relation to its business, financial position, or results of operations. There are no provisions recognized in the current year.

TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
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8. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	<u>Budget</u>	<u>2025</u>	<u>2024</u>
	\$	\$	\$
Fortis Alberta	200,000	194,272	194,829
ATCO Gas	<u>130,000</u>	<u>128,205</u>	<u>128,867</u>
	<u>330,000</u>	<u>322,477</u>	<u>323,696</u>

9. ASSET RETIREMENT OBLIGATION

Hazardous building material abatement

The Town owns buildings which contain hazardous building materials (HBMs) and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the HBMs in a prescribed manner when it is disturbed. The estimated total liability for the abatement activities for these buildings is \$3,196,324 (2024 - \$3,196,324).

Sewer system

The Town's sewer system is comprised of a dual-cell sewage lagoon and sewage lift station. The Town is legally required to decommission and remediate these sites. The estimated total liability for the decommissioning, remediation and reclamation of the lagoon and lift station is \$424,877 (2024 - \$424,877).

Water system

The Town's water system is comprised of one water treatment plant. The Town is legally required to decommission and remediate this site. The estimated total liability for the decommissioning, remediation and reclamation of the water treatment plant is \$322,573 (2024 - \$322,573). In the previous fiscal year, the Town decommissioned one of their water treatment plants.

	<u>2025</u>	<u>2024</u>
	\$	\$
<u>Total asset retirement obligation</u>		
Beginning balance	3,943,774	3,961,274
Liabilities incurred	-	-
Liabilities settled	-	(17,500)
Accretion expense	-	-
Estimated total liability	<u>3,943,774</u>	<u>3,943,774</u>

TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
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10. 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 Thorsby be disclosed as follows:

	<u>2025</u>	<u>2024</u>
	\$	\$
Total debt limit	5,750,961	5,632,184
Total debt	<u>(1,811,848)</u>	<u>(2,064,176)</u>
Amount of debt limit unused	<u>3,939,113</u>	<u>3,568,008</u>
Debt servicing limit	958,494	938,697
Debt servicing	<u>(267,126)</u>	<u>(314,436)</u>
Amount of debt servicing limit unused	<u>691,368</u>	<u>624,261</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00 and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired.

The calculation taken alone does not represent the stability of the Town. Rather, the financial statements must be interpreted as a whole.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2025</u>	<u>2024</u>
	\$	\$
Tangible capital assets (Schedule 2)	38,231,659	37,391,001
Accumulated amortization (Schedule 2)	(19,078,780)	(18,326,013)
Asset retirement obligation	(3,943,774)	(3,943,774)
Long term debt (Note 5)	<u>(1,811,848)</u>	<u>(2,064,176)</u>
	<u>13,397,257</u>	<u>13,057,038</u>

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
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12. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	<u>2025</u>	<u>2024</u>
	\$	\$
Unrestricted surplus	1,252,083	935,638
Restricted surplus		
Capital reserves		
Infrastructure power	167,181	167,181
Recreation	145,929	145,929
Roads and sidewalk replacement	163,958	163,958
Water	163,522	163,522
Public parks	44,860	44,860
Sewer	110,239	110,239
Equipment	90,157	90,157
Youth Inclusivity and Innovation	35,000	35,000
General administration	21,900	21,900
Thorsby Network Trails	5,000	5,000
Hall	4,000	4,000
Library	<u>2,212</u>	<u>2,212</u>
	953,958	953,958
Operating reserves		
Administration contingency	38,741	38,741
Public works contingency	32,353	32,353
Water contingency	31,563	31,563
Snow removal	28,133	28,133
Arena concession	<u>4,000</u>	<u>4,000</u>
	134,790	134,790
Equity in tangible capital assets	<u>13,397,257</u>	<u>13,057,038</u>
	<u>15,738,088</u>	<u>15,081,424</u>

13. SEGMENTED DISCLOSURE

The Town of Thorsby provides a range of services to its ratepayers. For each reported segment (Schedule 5), 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 overall, and as disclosed in Note 1.

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025**

14. SALARY AND BENEFITS DISCLOSURE

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

	2025		2024	
	Salary	Benefits and allowances	Total	Total
	\$	\$	\$	\$
D. Hostyn	16,438	-	16,438	15,413
C. Gilbert	10,586	518	11,104	14,588
S. Rasch	9,327	381	9,708	12,646
T. Musson	11,524	496	12,020	12,885
J. Miller	8,327	322	8,648	10,747
A. Watson	1,971	-	1,971	-
C. Levins Nelson	2,171	94	2,265	-
K. Reynolds	2,071	89	2,160	-
CAO	87,600	-	87,600	85,800
CFO	87,600	-	87,600	85,800

(1) Salary includes regular base pay, bonuses, overtime lump sum payments, gross honoraria and any other direct cash remuneration.

(2) Benefits and allowances include the employer's share of the employee benefits and contributions 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.

15. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued liabilities and long-term debt. It is management's opinion that the Town is not exposed to significant interest or currency risk arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

The Town is exposed to credit risk with respect to receivables. Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the Town's credit risk.

The Town is not exposed to interest rate risk on its long-term debt as the interest rate on the debentures is fixed for the term of the debentures.

**TOWN OF THORSBY
NOTES TO THE FINANCIAL STATEMENTS
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16. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP serves approximately 260,000 people and 425 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund.

Contributions for current service and past service pension benefits are recorded as expenses 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 earnings up to the year's maximum pensionable earnings and 10.65% on pensionable earnings above this amount.

The current service contributions by the Town of Thorsby to the LAPP in 2025 were \$44,918 (2024 - \$49,145).

Total current service contributions by the employees of the Town to the LAPP in 2025 were \$39,950 (2024 - \$43,727).

17. BUDGET FIGURES

The budget data presented in these financial statements is based on the interim operating and capital budgets approved by Town Council on April 22, 2025 and the property tax by-law approved by Town Council on April 22, 2025.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management on May 1, 2026.