

Town of Redwater
Financial Statements
December 31, 2025



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Management's Responsibility

To the Mayor and Councillors of Town of Redwater:

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 discharging 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.

The elected Mayor and Council of the Town composed primarily of Directors 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 financial information included in the financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for recommending the appointment of the Town's external auditors.

MNP LLP is appointed by the Mayor and Councillors 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 the Council and management to discuss their audit findings.

April 21, 2026

A handwritten signature in black ink, appearing to be 'D. P. J.', is written over a horizontal line.

Chief Administrative Officer

A NATURAL HOME

To the Mayor and Councillors of Town of Redwater:

Opinion

We have audited the financial statements of the Town of Redwater (the "Town"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations and accumulated surplus, change in net financial assets, cash flows and the related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Town as at December 31, 2025, and the results of its operations, 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 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 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 Town'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 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.

Leduc, Alberta

April 21, 2026

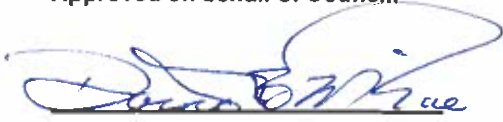
MNP LLP

Chartered Professional Accountants

Town of Redwater
Statement of Financial Position
As at December 31, 2025

	2025	2024
Financial assets		
Cash and equivalents (Note 2)	4,530,206	4,519,871
Investments (Note 3)	39,608	39,608
Trade and other accounts receivable (Note 4), (Note 7)	693,147	938,172
Property taxes receivable (Note 5)	949,445	808,882
Tax sale proceeds	5,486	5,323
	6,217,892	6,311,856
Liabilities		
Accounts payable and accrued liabilities	853,640	790,982
Deferred revenue (Note 7)	131,734	67,601
Deposit liabilities	80,435	190,465
Tax sale proceeds liability	5,485	5,323
Long-term debt (Note 8)	3,625,012	3,608,622
Asset retirement obligations (Note 10)	398,637	365,045
	5,094,943	5,028,038
Net financial assets	1,122,949	1,283,818
Contingent liabilities (Note 14)		
Non-financial assets		
Tangible capital assets (Schedule 2)	29,277,767	28,754,171
Inventory for consumption	111,629	89,299
Prepaid expenses	31,205	49,958
	29,420,601	28,893,428
Accumulated surplus (Schedule 1)	30,543,550	30,177,246

Approved on behalf of Council:


 21 Apr 2026
 Mayor


 Councillor

Town of Redwater

Statement of Operations and Accumulated Surplus

For the year ended December 31, 2025

	2025 <i>Budget</i> <i>(Note 16)</i>	2025	2024
Revenue			
Net municipal property taxes <i>(Schedule 3)</i>	3,555,207	3,496,749	3,404,735
User fees and sales of goods	2,376,214	2,333,039	2,140,118
Gas sales	1,138,167	1,057,382	1,066,688
Government transfers <i>(Schedule 4)</i>	526,975	544,132	590,765
Rental	228,122	255,418	238,339
Investment income	161,415	158,539	230,311
Penalties and cost on taxes	155,000	140,066	159,665
Licenses and permits	27,500	63,235	107,739
Fines	3,700	4,891	4,615
	8,172,300	8,053,451	7,942,975
Program expenses			
Parks and Recreation	1,790,110	1,759,087	1,782,969
Transportation Services	1,580,846	1,539,548	1,487,320
Environmental Services	1,656,887	1,526,833	1,478,687
Administration and Legislative	1,170,923	1,110,696	1,022,281
Gas Production and Distribution	1,092,258	1,074,067	1,016,587
Planning and Economic Development	626,055	582,358	640,316
Protective Services	417,565	353,560	388,232
FCSS and Community Services	196,547	178,061	162,844
	8,531,191	8,124,210	7,979,236
Deficiency of revenue over expenses before other	(358,891)	(70,759)	(36,261)
Other			
Contributed asset	-	40,000	-
Government transfers for capital <i>(Schedule 4)</i>	1,067,779	397,063	311,240
	1,067,779	437,063	311,240
Excess of revenue over expenses	708,888	366,304	274,979
Accumulated surplus, beginning of year <i>(Schedule 1)</i>	30,177,246	30,177,246	29,902,267
Accumulated operating surplus, end of year <i>(Schedule 1)</i>	30,886,134	30,543,550	30,177,246

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Change in Net Financial Assets

For the year ended December 31, 2025

	2025 Budget (Note 16)	2025	2024
Excess of revenue over expenses	708,888	366,304	274,979
Acquisition of tangible capital assets (Schedule 2)	(2,954,278)	(1,827,890)	(877,353)
Contributed tangible capital assets (Schedule 2)	-	(40,000)	-
Amortization of tangible capital assets (Schedule 2)	1,368,504	1,344,294	1,395,747
Use of prepaid expenses	-	18,753	7,351
Use (acquisition) of inventory for consumption	-	(22,330)	14,556
Increase (decrease) in net financial assets	(876,886)	(160,869)	815,280
Net financial assets, beginning of year	1,283,818	1,283,818	468,538
Net financial assets, end of year	406,932	1,122,949	1,283,818

The accompanying notes are an integral part of these financial statements

Town of Redwater
Statement of Cash Flows
For the year ended December 31, 2025

	2025	2024
Cash provided by (used for) the following activities:		
Operating activities		
Excess of revenue over expenses	366,304	274,979
Non-cash items:		
Amortization of tangible capital assets	1,344,294	1,395,747
Tangible capital assets received as contributions	(40,000)	-
Accretion expense (Note 10)	33,592	-
Net change in non-cash operating working capital balances:		
Decrease (increase) in property taxes receivable	(140,563)	86,961
Decrease (increase) in trade and other accounts receivable	245,025	(413,108)
Increase (decrease) in accounts payable and accrued liabilities	120,381	(126,365)
Increase (decrease) in deposit liabilities	(110,030)	57,114
Increase (decrease) in deferred revenue	64,132	(24,956)
Decrease (increase) in inventory for consumption	(22,329)	14,556
Decrease in prepaid expenses	18,752	7,351
	1,879,558	1,272,279
Financing activities		
Advances of long-term debt	465,000	440,000
Repayment of long-term debt	(448,610)	(397,245)
	16,390	42,755
Capital activities		
Acquisition of tangible capital assets (Schedule 2)	(1,885,613)	(805,606)
Investing activities		
Decrease in restricted cash	73,371	2,349
Increase in cash resources	83,706	511,777
Cash and equivalents, beginning of year	4,421,564	3,909,787
Cash and equivalents, end of year (Note 2)	4,505,270	4,421,564

The accompanying notes are an integral part of these financial statements

Town of Redwater
Schedule 1 - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2025

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 15)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	<i>2025</i>	<i>2024</i>
Balance, beginning of year	2,228,617	3,168,125	24,780,504	30,177,246	29,902,267
Excess of revenue over expenses	366,304	-	-	366,304	274,979
Unrestricted funds designated for future use	(777,012)	777,012	-	-	-
Restricted funds for operations	135,142	(135,142)	-	-	-
Restricted funds used for tangible capital assets	-	(813,776)	813,776	-	-
Current year funds used for tangible capital assets	(1,014,113)	-	1,014,113	-	-
Contributed tangible capital asset	(40,000)	-	40,000	-	-
Amortization of tangible capital assets	1,344,294	-	(1,344,294)	-	-
Proceeds of long-term debt	465,000	-	(465,000)	-	-
Long-term debt repaid	(448,610)	-	448,610	-	-
Accretion expense	33,592	-	(33,592)	-	-
Change in accumulated surplus	64,597	(171,906)	473,613	366,304	274,979
Balance, end of year	2,293,214	2,996,219	25,254,117	30,543,550	30,177,246

Town of Redwater
Schedule 2 - Schedule of Tangible Capital Assets

For the year ended December 31, 2025

	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>Construction in Progress</i>	<i>2025</i>	<i>2024</i>
Cost									
Balance, beginning of year	780,706	442,310	16,138,601	33,353,236	1,095,399	2,157,884	416,779	54,384,915	53,507,562
Acquisition of tangible capital assets	-	-	126,838	1,273,371	230,848	-	236,833	1,867,890	877,353
Construction-in-progress	-	-	348,641	-	-	-	(348,641)	-	-
Balance, end of year	780,706	442,310	16,614,080	34,626,607	1,326,247	2,157,884	304,971	56,252,805	54,384,915
Accumulated amortization									
Balance, beginning of year	-	240,154	7,712,551	15,249,259	758,019	1,670,761	-	25,630,744	24,234,997
Annual amortization	-	19,662	369,080	786,360	61,866	107,326	-	1,344,294	1,395,747
Balance, end of year	-	259,816	8,081,631	16,035,619	819,885	1,778,087	-	26,975,038	25,630,744
Net book value of tangible capital assets	780,706	182,494	8,532,449	18,590,988	506,362	379,797	304,971	29,277,767	28,754,171
2024 Net book value of tangible capital assets	780,706	202,156	8,426,050	18,103,977	337,380	487,123	416,779	28,754,171	

During the year, tangible capital assets were acquired at an aggregate cost of \$1,867,890 (2024 - \$877,353), of which \$40,000 (2024 - \$nil) was acquired as contributed capital assets, \$22,024 (2024 - \$79,747) remains in accounts payable at year end. The remaining \$1,885,613 (2024 - \$805,606) was acquired in cash.

Town of Redwater
Schedule 3 - Schedule of Property Taxes Levied
For the year ended December 31, 2025

	<i>2025 Budget (Note 16)</i>	<i>2025</i>	<i>2024</i>
Taxation			
Real property taxes	4,261,101	4,255,604	4,131,588
Linear property taxes	205,106	205,106	177,247
	4,466,207	4,460,710	4,308,835
Requisitions			
Alberta School Foundation Fund	880,000	930,397	873,435
Homeland Housing Foundation	28,000	27,789	28,190
Designated Industrial Property	3,000	5,775	2,475
	911,000	963,961	904,100
Net municipal property taxes	3,555,207	3,496,749	3,404,735

Town of Redwater
Schedule 4 - Schedule of Government Transfers
For the year ended December 31, 2025

	<i>2025 Budget (Note 16)</i>	<i>2025</i>	<i>2024</i>
Operating			
Local	389,921	403,806	445,159
Provincial	120,254	123,526	123,706
Federal	16,800	16,800	21,900
	526,975	544,132	590,765
Capital			
Provincial	600,779	283,062	188,474
Federal	467,000	114,001	122,766
	1,067,779	397,063	311,240
Total government transfers	1,594,754	941,195	902,005

Town of Redwater
Schedule 5 - Schedule of Expenses by Object
For the year ended December 31, 2025

	2025 Budget (Note 16)	2025	2024
Salaries, wages and benefits	3,105,109	2,948,196	2,927,755
Materials, goods and utilities	2,472,625	2,339,256	2,292,066
Amortization of tangible capital assets <i>(Schedule 2)</i>	1,368,504	1,344,294	1,395,747
Contracted and general services	1,385,652	1,259,862	1,163,462
Interest on long-term debt	105,450	103,687	102,150
Grants to other governments and organizations	85,421	84,821	76,620
Accretion	-	33,592	-
Bank charges and short-term interest	8,430	10,329	11,908
Provision for allowances	-	174	9,528
	8,531,191	8,124,211	7,979,236

Town of Redwater
Schedule 6 - Schedule of Segmented Disclosure
For the year ended December 31, 2025

	General Government	Administration and Legislative	Protective Services	Transportation Services	Environmental Services	Planning and Economic Development	FCSS and Community Services	Parks and Recreation	Gas Production and Distribution	Total
Revenue										
Net municipal property taxes	3,496,749	-	-	-	-	-	-	-	-	3,496,749
User fees and sales of goods	-	14,952	148,850	4,967	1,809,948	22,353	6,555	250,185	75,229	2,333,039
Gas sales	-	-	-	-	-	-	-	-	1,057,382	1,057,382
Government transfers - operating	-	28,129	41,973	4,200	-	4,200	81,048	384,582	-	544,132
Government transfers - capital	-	-	-	234,981	134,572	-	-	27,510	-	397,063
Rental	-	74,489	-	-	-	-	-	180,929	-	255,418
Investment income	-	158,539	-	-	-	-	-	-	-	158,539
Penalties and cost on taxes	-	140,066	-	-	-	-	-	-	-	140,066
Licenses and permits	-	-	1,350	-	-	61,885	-	-	-	63,235
Contributed tangible capital assets	-	-	-	15,000	25,000	-	-	-	-	40,000
Fines	-	-	4,891	-	-	-	-	-	-	4,891
	3,496,749	416,175	197,064	259,148	1,969,520	88,438	87,603	843,206	1,132,611	8,490,514
Expenses										
Salaries, wages and benefits	-	574,481	77,813	274,389	469,501	407,799	121,222	656,970	366,020	2,948,195
Materials, goods and utilities	-	121,124	43,963	526,926	623,784	20,802	8,356	417,861	576,440	2,339,256
Contracted and general services	-	325,800	202,418	67,846	192,308	152,257	48,202	177,662	93,368	1,259,861
Interest on long-term debt	-	7,875	-	-	38,663	-	-	57,149	-	103,687
Grants to other governments and organizations	-	-	-	-	-	1,500	-	83,321	-	84,821
Accretion	-	33,592	-	-	-	-	-	-	-	33,592
Bank charges and short-term interest	-	10,329	-	-	-	-	-	-	-	10,329
Recovery of allowances	-	174	-	-	-	-	-	-	-	174
	-	1,073,375	324,194	869,161	1,324,256	582,358	177,780	1,392,963	1,035,828	6,779,915
Net revenue, before amortization	3,496,749	(657,200)	(127,130)	(610,013)	645,264	(493,920)	(90,177)	(549,757)	96,783	1,710,599
Amortization of tangible capital assets	-	37,321	29,366	670,387	202,577	-	281	366,124	38,239	1,344,295
Excess (deficiency) of revenue over expense	3,496,749	(694,521)	(156,496)	(1,280,400)	442,687	(493,920)	(90,458)	(915,881)	58,544	366,304

1. Significant accounting policies

The financial statements of the Town of Redwater (the "Town") are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The financial statements reflect the financial activities of the reporting entity. This entity is comprised of the municipal operations of the Town.

The schedule of property taxes levied also includes requisitions for education and other external organizations that are not part of the municipal reporting entity.

The financial statements exclude trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

Basis of accounting

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they are earned and measurable. Expenses are recognized as incurred and measurable based upon receipt of goods or services and/or the legal obligation of pay.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the year in which they become known.

1. **Significant accounting policies** (Continued from previous page)

Financial instruments

The Town recognizes its financial instruments when the Town becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Town may irrevocably elect to subsequently measure any financial instrument at fair value. The Town has not made such an election during the year.

The Town subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses, if applicable. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Statement of remeasurement gains and losses

A statement of remeasurement gains and losses has not been presented as the Town does not hold complex financial instruments or derivatives.

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, inventory for consumption and prepaid expenses.

Cash and equivalents

Cash and equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Investments are recorded at amortized cost. 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.

Tax sale proceeds

Tax sale proceeds and the associated liabilities consist of the excess funds collected on the sale of seized properties put up for tax auction after outstanding property taxes were recovered by the Town. Under the *Municipal Government Act*, the Town is required to hold these funds for up to 10 years and attempt to disperse them to the former property owner.

1. **Significant accounting policies** *(Continued from previous page)*

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Town is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2025.

At each financial reporting date, the Town reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. 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. As at December 31, 2025, the Town has not identified any liability for contaminated sites.

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 (or a component thereof) at the financial statement date when there is a legal obligation for the Town to incur retirement costs in relation to a tangible capital asset (or component thereof), 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 December 31, 2025. 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 (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

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 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.

Employee future benefits

The Town is part of a multi-employer pension plan for which there is insufficient information to apply defined benefit plan accounting. Accordingly, the Town is not able to identify its share of the plan assets and liabilities, and therefore, the Town uses defined contribution accounting for this plan.

Town contributions to the defined contribution plan are expensed as incurred.

Property tax requisition over-levy and under-levy

Over-levies and under-levies arise from the difference between the actual 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.

1. **Significant accounting policies** *(Continued from previous page)*

Revenue recognition

Government transfers

The Town recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Town recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

The Town recognizes externally restricted inflows as revenue in the period the resources are used for the purpose specified in accordance with an agreement or legislation. Until this time, the Town records externally restricted inflows in deferred revenue.

Tax revenue

The Town recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; and the taxable event has occurred.

Tax revenue is initially measured at management's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the Town evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Fines and penalties

Traffic fine revenue is recorded as cash is received, which is not materially different than recording revenue on an accrual basis.

Other revenue

Other sources of revenue are recorded when received or receivable.

Tangible capital assets

Tangible capital assets are initially recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Only tangible capital assets with costs in excess of \$5,000 are capitalized. Contributed tangible assets are recorded at their fair value at the date of contribution.

When conditions indicate that a tangible capital asset no longer contributes to the Town's ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the Town reduces the cost of the asset to reflect the decline in its value. Write-downs of tangible capital assets are not reversed.

Amortization

Tangible capital assets are amortized annually using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. No amortization is charged in the year of acquisition or disposal. Assets under construction are not amortized until the asset is available for productive use:

	Years
Land improvements	15-25
Buildings	10-50
Engineered structures:	
Wastewater system	75
Water system	40-75
Other engineered structures	10-75
Machinery and equipment	5-50
Vehicles	10-20

1. **Significant accounting policies** *(Continued from previous page)*

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Town performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. Impairment is measured as the amount by which the assets' carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in surplus for the year.

Inventory for consumption

Inventory held for consumption is recorded at the lower of cost and replacement cost.

Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

Segments

The Town conducts its business through a number of reportable segments: General Government, Administration & Legislative, Protective Services, Transportation Services, Environmental Services, Planning and Economic Development, FCSS and Community Services, Parks and Recreation and Gas Production and Distribution. These operating segments are established by senior management to facilitate the achievement of the Town's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Refer to Schedule VI - Schedule of Segmented Disclosure.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1, the *Significant accounting policies*.

Future changes in accounting standards

On January 1, 2027, the Town will adopt the following new conceptual framework and accounting standard approved by the Public Sector Accounting Board:

- **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 specific standards.
- **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.

Management is currently assessing the impact of the conceptual framework and the standard on the financial statements.

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2025

2. Cash and equivalents

	2025	2024
Cash	4,505,270	4,421,564
Restricted cash	24,936	98,307
	4,530,206	4,519,871

The restricted cash is amounts received from developers as deposits on request for development proposals. The deposits will be refunded to the depositor according to the terms of the development agreements. The restricted cash has been excluded from cash for the purposes of presentation on the statement of cash flows.

3. Investments

	2025	2024
Gas Alberta Inc. debenture	27,500	27,500
Federation of Alberta Gas Co-ops Ltd.	11,908	11,908
Gas Alberta Inc.	200	200
	39,608	39,608

4. Trade and other accounts receivable

As at December 31, 2025, the trade and other accounts receivable balance is presented net of an allowance for doubtful accounts of \$46,100 (2024 - \$46,100).

5. Property taxes receivable

	2025	2024
Taxes receivable - current	410,023	372,684
Taxes receivable - arrears	539,422	436,198
	949,445	808,882

6. Bank indebtedness

At December 31, 2025, the Town has a revolving line of credit with ATB Financial with a maximum limit of \$1,000,000 (2024 – \$1,000,000). Interest accrues monthly on the outstanding balance at a rate of prime plus 1%. The line of credit arrangement is reviewed annually by the bank, with the most recent review date being December 31, 2025. As at December 31, 2025, the prime rate was 4.45% (2024 - 5.45%).

As of December 31, 2025, the Town had not drawn any funds (2024 - \$nil) on the line of credit.

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2025

7. Deferred revenue

	<i>Balance, beginning of year</i>	<i>Contributions</i>	<i>Revenue recognized</i>	<i>Balance, end of year</i>
Other grant funding	4,223	59,259	27,510	35,972
Other deferred revenue	44,906	15,671	25,025	35,552
Canada Community Building Fund (CCBF)	-	218,912	218,912	-
Municipal Sustainability Initiative (MSI)	18,472	730	-	19,202
Local Government Fiscal Framework (LGFF)	-	417,200	376,192	41,008
Strategic Transportation Infrastructure Program (STIP)	-	31,883	31,883	-
Family and Community Support Services	-	67,268	67,268	-
	67,601	810,923	746,790	131,734

Contributions in the amount of \$77,581 (2024 - \$257,433) for eligible capital projects are included in accounts receivable at December 31, 2025.

8. Long-term debt

	2025	2024
Tax supported debentures	3,625,012	3,608,622

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	Principal	Interest	Total
2026	389,287	76,019	465,306
2027	232,067	82,276	314,343
2028	239,514	74,887	314,401
2029	247,227	67,234	314,461
2030	237,267	59,307	296,574
To maturity	2,279,650	381,437	2,661,087
	3,625,012	741,160	4,366,172

Tax supported debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.06% to 4.39% (2024 - 2.06% to 4.39%) per annum and mature in periods 2026 through 2045. The average annual interest rate is 3.87% (2024 - 3.93%). Debenture debt is issued on the credit and security of the Town at large.

The Town's cash payments for interest for the year were \$100,420 (2024 - \$97,186).

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2025

9. Debt limits

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2025	2024
Total debt limit	12,080,179	11,914,463
Total debt	3,625,012	3,608,622
<hr/>		
Amount of debt limit unused	8,455,167	8,305,841
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Service on debt limit	2,013,363	1,985,744
Service on debt	465,306	521,730
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Amount of debt servicing limit unused	1,548,057	1,464,014

The debt limit is calculated as 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated as 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 alone does not represent the financial stability of the Town. Rather, the financial statements must be interpreted as a whole.

10. Asset retirement obligations

The Town recognized a liability for asset retirement obligations of \$398,637 (2024 - \$365,045) and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of Town buildings. The asset retirement cost is amortized on a straight-line basis over the useful life of the related tangible capital assets.

The Town estimated the amount of the liability using a discounted cash flow method. The significant assumptions used to determine the best estimate of the liability included an estimate of the estimated useful life of the asset, inflation rate of 3.0% and the Town's credit-adjusted risk-free rate of 4.50%.

- As at December 31, 2025, the estimated total future expenditures for settlement of the asset retirement obligations are \$2,031,710, based on expected retirement of various tangible capital assets over the estimated useful lives over the next 14 - 49 years.

	2025	2024
Balance, beginning of year	365,045	365,045
Accretion	33,592	-
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Balance, end of year	398,637	365,045

11. Equity in tangible capital assets

	2025	2024
Tangible capital assets (<i>Schedule 2</i>)	56,252,807	54,384,915
Accumulated amortization (<i>Schedule 2</i>)	(26,975,041)	(25,630,744)
Long-term debt (<i>Note 8</i>)	(3,625,012)	(3,608,622)
Asset retirement obligation (<i>Note 10</i>)	(398,637)	(365,045)
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	25,254,117	24,780,504

12. Salaries and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the Chief Administrative Officer (“CAO”) and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<i>Salary/ remuneration</i>	<i>Benefits & allowances</i>	2025	2024
D. McRae, Mayor	28,350	16,924	45,274	45,602
J. Williams, Councillor	14,464	14,035	28,499	26,588
D. Spicer, Councillor	14,633	12,730	27,363	30,584
C. Butcher, Councillor	15,000	8,800	23,800	22,387
T. Cosby, Councillor	14,750	8,785	23,535	23,023
R. Olsen, Councillor	15,175	6,420	21,595	27,533
J. Melnick, Councillor	10,333	6,287	16,620	20,905
P. Brown, Councillor	4,300	224	4,524	-
M. Smith, Councillor	3,492	244	3,736	-
CAO	191,301	34,730	226,031	217,001
Designated Officers	137,613	12,950	150,563	145,578

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

Benefits and allowances includes 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-term disability plans, professional memberships and tuition.

Benefits and allowances also include the employer's share of the costs of additional taxable benefits.

Designated Officers include three positions, Development Authority Officer, Municipal Assessor and Assessment Complaints Officer. The Municipal Assessor and the Assessment Complaints Officer positions are paid directly by the Capital Region Assessment Services Commission.

13. Local authorities pension plan

Employees of the Town participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Alberta Public Sector Pension Plans Act*. The LAPP serves about 316,938 members and 453 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as 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 salary up to the year's maximum pensionable salary and 10.65% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2025 were \$191,662 (2024 - \$183,692). Total current service contributions by the employees of the Town to the Local Authorities Pension Plan in 2025 were \$170,488 (2024 - \$163,469).

At December 31, 2024, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus (in millions) of \$19,557 (2023 - surplus of \$15,057).

Town of Redwater
Notes to the Financial Statements
For the year ended December 31, 2025

14. Contingent liabilities

The Town is a member of the Alberta Municipal Insurance Exchange ("MUNIX"). Under the terms of the membership, the Town could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

Through the Federation of Alberta Gas Co-ops Ltd., the Town is also a member of the Fedgas Insurance Reciprocal Exchange ("FIRE") and the Genesis Reciprocal Insurance Exchange ("GENESIS"). 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 FIRE or GENESIS. Any liability incurred would be accounted for as a current transaction in the years the losses are determined.

In the normal conduct of operations, there are pending claims by and against the Town. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the advice and information provided by its legal counsel, final determination of these other litigations will not materially affect the Town's financial position or results of operations.

15. Restricted surplus

The Town has restricted certain amounts of the accumulated surplus in order to fund future operations. This restricted surplus is not fully funded in cash as this would tie up too much of the operational cash needed to run the day to day operations of the Town. The restricted surplus total is available over time and on an as needed basis. Surplus restricted for operating and capital activities changed as follows:

	2025	2024
Gas distribution reserve	705,897	746,483
Restricted offsite levies	686,575	705,494
Transportation services reserve	398,163	319,794
Fire protection reserve	259,146	268,173
Recreation reserve	221,592	507,617
Pool facility reserve	172,459	147,459
Water supply and distribution reserve	150,283	32,869
Planning and development reserve	134,004	163,349
Special projects reserve	82,625	113,264
Lease reserve	45,069	35,719
Council antique fire truck	41,026	1,023
Operating reserve	31,187	69,833
Bylaw reserve	30,000	30,000
License reserve	24,135	13,790
Cemetery reserve	9,058	8,258
Disaster services reserve	5,000	5,000
	2,996,219	3,168,125

16. Budget Information

The disclosed budget information has been approved by Council of the Town of Redwater on December 10, 2024. The original approved budget included reserve transfers as revenue and expenses. These have been excluded from the Statement of Operations and the Statement of Change in Net Financial Assets to correspond with actual expenses.

17. Financial instruments

The Town as part of its operations carries a number of financial instruments. It is management's opinion that the Town is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

Risk management

The Town manages its credit risk by performing regular assessments of its ratepayers and provides allowances for potentially uncollectible accounts receivable.

A credit concentration exists relating to property taxes receivable. As at December 31, 2025, one ratepayer accounted for 37% (December 31, 2024 – one ratepayer for 35%) of the total property taxes receivable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Town is exposed to interest rate risk with respect to long-term debt.

Interest rate risk sensitivity analysis

A 1% change in interest rates relating to long-term debt could change interest expense by approximately \$36,250 (2024 - 36,086).