Village of Donnelly

Financial Statements

December 31, 2025

Village of Donnelly

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Village of Donnelly

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

The Village Council carries out its responsibilities for review of the financial statements principally through its meeting with management. This Council meets with management and the 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 Village Council has approved the financial statements.

The financial statements have been audited by Doyle & Company, Chartered Professional Accountants, independent external auditors appointed by the Village. The accompanying independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Village's financial statements.

Lorraine Willier

Chief Administrative Officer

DOYLE & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

Edward Cheung, CPA, CA*
Scott T. Mockford, CPA, CA*
Steven M. Kim, CPA*
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INDEPENDENT AUDITOR'S REPORT

To the Members of Council

Qualified Opinion

We have audited the financial statements of the Village of Donnelly (the "Village"), which comprise the statement of financial position as at December 31, 2025, and the results of its operations, changes in its net financial assets and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Village 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 ("PSAS").

Basis for Qualified Opinion

The predecessor auditor's report dated March 31, 2026 on the financial statements for the year ended December 31, 2024 expressed a modified opinion as they were not able to determine if any adjustments were required to the Village's taxes receivable balance, tangible capital assets, and asset retirement obligations. As at the date of the auditor's report, we were also unable to obtain sufficient appropriate audit evidence concerning these opening balances. Since the opening balances affect the determination of the results of operations and cash flows, we were unable to determine whether adjustments to the results of operations and opening equity were necessary.

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

In preparing the financial statements, management is responsible for assessing the Village's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Village or to cease operations, or has no realistic alternative to do so.

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

Auditor's Responsibility 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.

INDEPENDENT AUDITOR'S REPORT - continued

Auditor's Responsibility for the Audit of the Financial Statements - continued

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 from 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 Village'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 Village'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 Village 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 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 8.

- 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 12.

Doyle & Company

Chartered Professional Accountants

June 22, 2026
11210 - 107 Avenue NW
Edmonton, Alberta T5H 0Y1

Village of Donnelly

Statement of Financial Position

As at December 31, 2025

	2025 $	2024 $
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	**1,472,279**	1,555,790
Receivables		
Taxes and grants in place of taxes (Note 3)	**73,729**	111,021
Trade and other receivables (Note 3)	**1,007,318**	691,817
Investments (Note 4)	**2,489**	2,489
Land for resale inventory	**8,720**	8,720
	2,564,535	2,369,837
LIABILITIES		
Accounts payable and accrued liabilities	**128,879**	80,745
Deposit liabilities	**3,331**	2,931
Deferred revenue (Note 5)	**710,114**	390,436
Landfill closure and post-closure liability (Note 6)	**7,360**	7,360
Long-term debt (Note 7)	**155,659**	183,157
	1,005,343	664,629
NET FINANCIAL ASSETS	**1,559,192**	1,705,208
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	**3,598,392**	3,718,453
ACCUMULATED OPERATING SURPLUS (Schedule 1, Note 10)	**5,157,584**	5,423,661

Contingencies - Note 14

Approved on behalf of the Council

Myrna Lanctot — **Mayor**

Vance Yaremko — **Councilor**

The accompanying notes form part of these financial statements.

Village of Donnelly

Statement of Operations

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
REVENUE			
User fees and sales of goods	**331,533**	**332,028**	321,023
Net municipal taxes (Schedule 3)	**321,539**	**322,266**	318,126
Government transfers for operating (Schedule 4)	**97,908**	**97,908**	195,684
Investment income	**11,000**	**51,636**	87,571
Rentals	**51,000**	**57,235**	59,859
Franchise and concession contracts	**42,000**	**47,242**	44,882
Special assesments and local improvement	**69,000**	**10,000**	10,000
Penalties and costs of taxes	**8,000**	**5,767**	6,928
Other revenue	**6,450**	**3,690**	2,441
Fines	**100**	**1,183**	3,900
Total Revenue	**938,530**	**928,955**	1,050,414
EXPENSES			
General Government			
Council and other legislative	**64,500**	**61,213**	46,503
General administration	**379,235**	**516,185**	447,986
Protective Services			
Fire	**-**	**29,690**	22,123
Policing	**24,135**	**19,511**	21,193
Transportation			
Roads, streets, walks, lighting, airport	**102,771**	**172,021**	232,007
Airport	**5,800**	**5,041**	5,040
Environmental Use and Protection			
Water supply and distribution	**226,544**	**255,252**	231,660
Wastewater treatment and disposal	**37,165**	**47,155**	127,599
Waste management	**62,082**	**59,614**	60,941
Storm sewers and drainage	**-**	**12,006**	11,799
Public Health and Welfare			
Family and community support	**583,191**	**4,539**	4,539
Planning and development			
Economic development	**-**	**6,832**	6,830
Recreation and Culture			
Culture, library, and halls	**-**	**3,359**	2,398
Parks and recreation	**4,700**	**2,614**	4,754
Other recreation and culture	**-**	**-**	13,133
Total Expenses	**1,490,123**	**1,195,032**	1,238,505
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE OTHER	**(551,593)**	**(266,077)**	(188,091)
OTHER			
Government transfers for capital (Schedule 4)	**470,000**	**-**	204,831
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	**(81,593)**	**(266,077)**	16,740
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		**5,423,661**	5,406,921
ACCUMULATED OPERATING SURPLUS, END OF YEAR		**5,157,584**	5,423,661

The accompanying notes form part of these financial statements.

Village of Donnelly

Statement of Change in Net Financial Assets

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	**(81,593)**	**(266,077)**	16,740
Acquisition of tangible capital assets	**-**	**(86,050)**	(204,831)
Amortization of tangible capital assets	**-**	**206,111**	236,183
	-	**120,061**	31,352
INCREASE (DECREASE) IN NET ASSETS	**(81,593)**	**(146,016)**	48,092
NET FINANCIAL ASSETS , BEGINNING OF YEAR	**-**	**1,705,208**	1,657,116
NET FINANCIAL ASSETS, END OF YEAR	**-**	**1,559,192**	1,705,208

The accompanying notes form part of these financial statements.

Village of Donnelly

Statement of Cash Flows

For the year ended December 31, 2025

	2025 $	2024 $
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	**(266,077)**	16,740
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	**206,111**	236,183
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and other receivables	**(278,209)**	(81,607)
Increase (decrease) in accounts payable and accrued liabilities	**48,134**	(75,301)
Increase (decrease) in deposit liabilities	**400**	(150)
Increase (decrease) in deferred revenues	**319,678**	3,491
Cash provided by operating transactions	**30,037**	99,356
CAPITAL		
Acquisition of tangible capital assets	**(86,050)**	(204,831)
Cash applied to capital transactions	**(86,050)**	(204,831)
FINANCING		
Long-term debt repaid	**(27,498)**	(26,398)
Cash provided by (applied to) financing transactions	**(27,498)**	(26,398)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	**(83,511)**	(131,873)
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	**1,555,790**	1,687,663
CASH AND CASH EQUIVALENTS, END OF YEAR	**1,472,279**	1,555,790

Village of Donnelly

Schedule of Changes in Accumulated Operating Surplus - Schedule 1

For the year ended December 31, 2025

	Unrestricted Surplus $	Internally Restricted Surplus $	Equity in Tangible Capital Assets $	2025 $	2024 $
Balance, Beginning of Year	**962,006**	**926,360**	**3,535,296**	**5,423,662**	5,406,922
Excess of revenues over expenses	**(266,077)**	**-**	**-**	**(266,077)**	16,740
Current year funds used for tangible capital assets	**(86,050)**	**-**	**86,050**	**-**	**-**
Annual amortization expenses	**206,111**	**-**	**(206,111)**	**-**	**-**
Long-term debts repaid	**(27,497)**	**-**	**27,497**	**-**	**-**
Change in accumulated surplus	**(173,513)**	**-**	**(92,564)**	**(266,077)**	16,740
Balance, End of Year	**788,493**	**926,360**	**3,442,732**	**5,157,585**	5,423,662

The accompanying notes form part of these financial statements.

Village of Donnelly

Schedule of Tangible Capital Assets - Schedule 2

For the year ended December 31, 2025

	Land	Land Improvements $	Buildings $	Engineered Structures $	Machinery & Equipment $	Vehicles $	2025 $	2024 $
COST:								
Balance, Beginning of Year	**162,779**	**15,721**	**494,896**	**9,013,084**	**468,370**	**56,655**	**10,211,505**	10,006,674
Acquisition of tangible capital assets		**-**	**33,947**	**52,103**	**-**	**-**	**86,050**	204,831
Disposal of tangible capital assets		**-**	**-**	**-**	**-**	**-**	**-**	-
Balance, End of Year	**162,779**	**15,721**	**528,843**	**9,065,187**	**468,370**	**56,655**	**10,297,555**	10,211,505
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year		**8,247**	**274,252**	**5,972,232**	**181,666**	**56,655**	**6,493,052**	6,256,869
Annual amortization		**786**	**9,810**	**178,167**	**17,348**	**-**	**206,111**	236,183
Accumulated amortization on disposals		**-**	**-**	**-**	**-**	**-**	**-**	-
Balance, End of Year		**9,033**	**284,062**	**6,150,399**	**199,014**	**56,655**	**6,699,163**	6,493,052
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	**162,779**	**6,688**	**244,781**	**2,914,788**	**269,356**	**-**	**3,598,392**	3,718,453
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	162,779	7,474	220,644	3,040,852	286,704	-		3,718,453

The accompanying notes form part of these financial statements.

Village of Donnelly

Schedule of Property and Other Taxes - Schedule 3

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
TAXATION			
Real property taxes	**398,370**	**393,896**	383,251
Special assesment and local improvement taxes	**-**	**65**	62
	398,370	**393,961**	383,313
REQUISITIONS			
Alberta School Foundation Fund	**68,831**	**63,763**	57,403
Heart River Foundation	**8,000**	**7,932**	7,784
	76,831	**71,695**	65,187
NET MUNICIPAL TAXES	**321,539**	**322,266**	318,126

The accompanying notes form part of these financial statements.

Village of Donnelly

Schedule of Government Transfers - Schedule 4

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
TRANSFERS FOR OPERATING:			
Provincial Government	**97,908**	**97,908**	195,684
TRANSFERS FOR CAPITAL:			
Provincial Government	**470,000**	**-**	204,831
TOTAL GOVERNMENT TRANSFERS	**567,908**	**97,908**	400,515

The accompanying notes form part of these financial statements.

Village of Donnelly

Schedule of Expenses by Object - Schedule 5

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
EXPENSES BY OBJECT			
Contracted and general services	**446,084**	**289,297**	468,583
Salaries, wages and benefits	**301,471**	**287,915**	178,509
Amortization of tangible capital assets	**-**	**206,008**	236,183
Materials, goods, and utilities	**457,525**	**87,432**	111,823
Provision for allowance	**-**	**51,364**	875
Transfers to local boards and agencies	**250,272**	**265,743**	234,159
Interest on long-term debt	**34,771**	**7,273**	8,373
	1,490,123	**1,195,032**	1,238,505

The accompanying notes form part of these financial statements.

Village of Donnelly

Schedule of Segmented Disclosure - Schedule 6

For the year ended December 31, 2025

	General Government $	Protective Services $	Transportation Services $	Environmental Services $	Recreation & Culture $	Planning and Development $	Health and Welfare $	2025 $
REVENUE								
User fees and sales of goods	2,604	-	560	328,864	-	-	-	332,028
Net municipal taxes	322,266	-	-	-	-	-	-	322,266
Government transfers for operating	97,908	-	-	-	-	-	-	97,908
Investment income	51,636	-	-	-	-	-	-	51,636
Rentals	19,903	-	-	-	37,332	-	-	57,235
Franchise and concession contracts	47,242	-	-	-	-	-	-	47,242
Special Assesment and Local Improvement	10,000	-	-	-	-	-	-	10,000
Penalties and costs of taxes	5,767	-	-	-	-	-	-	5,767
Other	275	2,154	-	1,261	-	-	-	3,690
Fines	284	899	-	-	-	-	-	1,183
	557,885	3,053	560	330,125	37,332	-	-	928,955
EXPENSES								
Contracted and general services	160,803	47,731	18,682	60,953	1,128	-	-	289,297
Salaries, wages and benefits	276,894	-	-	11,021	-	-	-	287,915
Materials, goods and utilities	74,845	-	12,587	-	-	-	-	87,432
Transfers to local boards and agencies	10,000	-	5,041	235,972	3,359	6,832	4,539	265,743
Long-term debt interest	-	-	7,273	-	-	-	-	7,273
Provision for allowance	51,364	-	-	-	-	-	-	51,364
	573,906	47,731	43,583	307,946	4,487	6,832	4,539	989,024
NET REVENUE (SHORTFALL) BEFORE OTHER INCOME	(16,021)	(44,678)	(43,023)	22,179	32,845	(6,832)	(4,539)	(60,069)
Amortization	(3,492)	(1,470)	(133,479)	(66,081)	(1,486)	-	-	(206,008)
NET REVENUE (SHORTFALL)	(19,513)	(46,148)	(176,502)	(43,902)	31,359	(6,832)	(4,539)	(266,077)

DESCRIPTION OF OPERATIONS

The Village of Donnelly is a local government authority providing municipal services. The Village of Donnelly is empowered through bylaws and policies approved by Council and pursuant to the Municipal Government Act.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Donnelly are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Village of Donnelly are as follows:

(a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, changes in fund balances and changes in financial position of the reporting entity.

The schedule of taxes levied also includes requisitions for education, health, social and other external Villages that are not part of the municipal reporting entity.

Interdepartmental and Village 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 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 or goods have yet to be provided. Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided or the tangible assets are acquired.

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian Accounting Standards for Public Sector Accounting Board 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 revenues and expenses during the year.

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 the tangible capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the revenue or expenses in the period in which they become known. Actual results could differ from those estimates.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Valuation of Financial Assets and Liabilities

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

Financial statement component Measurement	Measurement
Cash and temporary investments	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Bank indebtedness and long-term liabilities	Amortized cost

(e) Cash and Temporary Investments

Cash and temporary investments consists of bank deposits and savings accounts with a term of three (3) months or less.

(f) 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.

(g) Land Held 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.

(h) Long-Term Debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transaction costs, with interest expense recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

(i) Requisition Over-levy and Under-levy

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

(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.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(k) Revenue Recognition

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

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

(l) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(m) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) 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	15-25
Buildings	25-50
Engineered structures	5-75
Machinery and equipment	3-20
Vehicles	10-25

One-half of the annual amortization is charged in the year of acquisition and not 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 when the amount can reasonably be determined and would have been purchased by the Village of Donnelly, if not contributed, at the date of receipt and also are recorded as revenue.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Non-Financial Assets - 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) 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 Village 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 the 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 Village reviews the carrying amount of the liability. The Village recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from the 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 Village 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.

2. CASH AND TEMPORARY INVESTMENTS

	2025 $	2024 $
Bank account - operating	**218,591**	343,630
T-Bill savings accounts	**1,253,688**	1,212,160
	1,472,279	1,555,790

The interest rate on the operating bank is variable, subject to the fluctuating bank balance and the prime rate set by the bank.

Council has designated cash for the funding of restricted reserves, including operating $54,333 (2024 - $54,333) and capital $872,027 (2024 - $872,027), totaling $926,360 (2024 - $926,360).

3. RECEIVABLES

	2025 $	2024 $
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	**35,818**	38,631
Arrears taxes	**89,275**	72,390
	125,093	111,021
Less: Allowance for uncollectible arrears	**(51,364)**	-
	73,729	111,021

ii) Trade and other receivables

	2025 $	2024 $
Goods and services tax receivable	**51,929**	39,541
Government receivable	**747,991**	428,313
Trade and other receivables	**47,289**	39,131
Local improvement tax	**160,109**	184,832
	1,007,318	691,817

The Government receivable is comprised of Local Government Fiscal Framework $557,771 (2024 - $308,622) and Canada Community Building Fund $190,220 (2024 - $119,691).

4. INVESTMENTS

Investments are composed of equity held in a co-operative.

5. DEFERRED REVENUE

Deferred revenue is comprised of amounts received from third parties which are restricted to eligible operating and capital projects as approved in the funding agreements. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	Opening $	Received $	Recognized $	2025 $	2024 $
LGFF Capital	**236,407**	**249,149**	**-**	**485,556**	236,407
Canada Community Building Fund	**119,691**	**70,529**	**-**	**190,220**	119,691
MSI Capital	**34,338**	**-**	**-**	**34,338**	34,338
	390,436	**319,678**	**-**	**710,114**	390,436

6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Alberta environmental law requires closure and post-closure care of landfill sites, which includesfinal covering and landscaping, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspections and maintenance. The accrued liability for closure and post-closure of the Village's landfill is recognized, using management's estimated cost for closure and post-closure care. Management is unable to estimate how many years the post-closure care could be required.

The Village has not designated assets for settling closure and post-closure liabilities. The following summarizes the total estimated costs of closure and post-closure care:

	2025 $	2024 $
Estimated closure costs	**10,000**	10,000
Estimated post-closure costs	**10,000**	10,000
Estimated total costs	**20,000**	20,000
Estimated post-closure costs	**(12,640)**	(12,640)
Balance of estimated costs to accrue	**7,360**	7,360

7. LONG-TERM DEBT

	2025 $	2024 $
Alberta Capital Finance Authority	**155,659**	183,157
Less: Current portion	**(28,643)**	(27,498)
Long-term portion	**127,016**	155,659

Principal and interest repayments scare as follows:

	Principal $	Interest $	Total $
2026	**28,643**	**6,128**	**34,771**
2027	**29,837**	**4,934**	**34,771**
2028	**31,080**	**3,691**	**34,771**
2029	**31,992**	**2,779**	**34,771**
2030	**34,107**	**664**	**34,771**
	155,659	**18,196**	**173,855**

The debenture is repayable to the Alberta Capital Finance Authority and bears interest at a rate of 4.758% per annum and matures in 2030. Amounts are repayable over a 20 year period in semi-annual installments of $34,771.

Interest on long-term debt amounted to $7,273 (2024 - $8,373)

8. DEBT LIMITS AND DEBT SERVICING LIMIT

Section 276(2) of the Municipal Government Act requires that total debt limit as defined by Alberta Regulation 255/2000 for the Village of Donnelly be disclosed as follow:

	2025 $	2024 $
Total Debt Limit	**1,393,433**	1,575,621
Total Debt (See details below)	**155,659**	183,157
Amount of debt limit unused	**1,237,774**	1,392,464
Debt Service Limit	**232,239**	262,604
Debt Service	**34,771**	34,771
Amount of debt servicing limit unused	**197,468**	227,833
Details of Total Debt:		
Alberta Capital Finance Authority	**155,659**	183,157
	155,659	183,157

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada for the purposes of capital property (as defined in Alberta Regulation 255/2000) 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 that 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.

Total debt includes long-term debt less debt charges recoverable. Debt servicing includes principle and interest payments due on long-term debt in the 12 months subsequent to year-end less amounts that are recoverable.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025 $	2024 $
Tangible capital assets (Schedule 2)	**10,297,555**	10,211,505
Accumulated amortization (Schedule 2)	**(6,699,163)**	(6,493,052)
Long-term liabilities (Note 7)	**(155,659)**	(183,157)
	3,442,733	3,535,296

10. ACCUMULATED OPERATING SURPLUS

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

	2025 $	2024 $
Unrestricted surplus	**788,491**	962,005
Internally restricted reserve		
Contingency	**10,750**	10,750
Admin equipment	**12,879**	12,879
Transportation	**315,289**	315,289
Water	**225,550**	225,550
Sewage	**318,309**	318,309
Health service	**14,394**	14,394
Recreation	**25,439**	25,439
Cultural	**3,750**	3,750
	926,360	926,360
Equity in Tangible Capital Assets (Note 9)	**3,442,733**	3,535,296
	5,157,584	5,423,661

11. SEGMENTED DISCLOSURE

The Village of Donnelly provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

11. SEGMENTED DISCLOSURE - continued

General government includes council and other legislative, and general administration. Protective services includes ambulance and emergency services, bylaw enforcement, fire, and police. Transportation includes roads, streets, walks and lighting. Recreation and culture includes parks and recreation, libraries, and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management. Other includes: Planning and development which includes land use planning, zoning and subdivision land and development. Public health and welfare includes family and community support.

12. SALARY AND BENEFITS DISCLOSURE

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

	2025			2024
	Salary (1) $	Benefits & Allowances (2) $	Total $	Total $
Mayor:				
Myrna Lanctot	**17,900**	**1,800**	**19,700**	16,863
Deputy Mayors:				
Vance Yaremko	**8,750**	**1,800**	**10,550**	4,202
Councilors:				
Norm Boulet	**5,100**	**1,500**	**6,600**	3,146
John Coy	**6,000**	**900**	**6,900**	4,555
Candance Waye	**6,750**	**1,800**	**8,550**	5,496
Leona Moore	**1,450**	**450**	**1,900**	-
Chief Administrator Officer:				
Matthew Ferris	**14,375**	**-**	**14,375**	57,501
Sumitra Subedi	**45,667**	**2,827**	**48,494**	-
Lorraine Willier	**3,915**	**-**	**3,915**	-
Designated Officers (Contract Services)				
Assessor	**5,282**	**-**	**5,282**	4,042

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

(2) Consists of employer's share of all employee benefits and contributions or payments made on behalf of employees including communication allownance, 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.

13. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss to the other party by failing to discharge an obligation. The Village of Donnelly's main credit risk relates to its tax receivables and trade and other receivable. Credit is provided to tax payers and other clients in the normal course of operations and the accounts receivables are assessed by the Village of Donnelly and they record any amounts that are not collectible in the allowance for doubtful accounts.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The bank account and investments of the Village of Donnelly are subject to interest rate risk because changing interest rates impact the amount of interest earned and the cash flow.

Liquidity Risk

Liquidity risk is the risk that the Village of Donnelly will encounter difficulty in meeting its obligations associated with financial liabilities. The Village of Donnelly is exposed to this risk mainly through its accounts payable and accrued liabilities, long-term debt, and obligation under capital lease. The Village of Donnelly manages its liquidity risk by monitoring its operating cash flow requirements to ensure it has sufficient funds to meet its financial obligations.

14. CONTINGENCIES

The Village is a member of the Rural Municipalities Association and Counties-Jubilee Reciprocal Insurance Exchange. Under the terms of the membership, the Village could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

15. BUDGETED FIGURES

Budget figures are included in the financial statements for information purposes and are unaudited. The budget was approved by Council.

16. COMPARATIVE FIGURES

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

17. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.