

**VILLAGE OF EMPRESS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**

Management's Responsibility

Management of the Village of Empress (the "Village") is responsible for the preparation, accuracy, objectivity and integrity of the accompanying financial statements and all other information contained within these financial statements. 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 the financial statements are presented fairly in all material respects.

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

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

The Village Council carries out its responsibilities for review of the financial statements through regular meetings with management and periodic meetings with 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 MNP LLP, 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.

April 15, 2026

e-Signed by Jerry Gautreau
2026-04-15 09:23:57:57 MDT

Chief Administrative Officer



Independent Auditor's Report

To the Members of Council:

Opinion

We have audited the financial statements of the Village of Empress (the "Village"), which comprise the statement of financial position as at December 31, 2025, and the statements of operations, changes in net financial assets, cash flows, and related schedules, I to VI, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matters 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, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

A physical count of gravel held for resale inventory was unable to be conducted or attended by auditors, and sufficient and appropriate audit evidence was unable to be obtained to corroborate the quantity at December 31, 2025. Accordingly, verification of the gravel held for resale inventory was limited to the amounts recorded in the records of the Village. We were unable to determine whether adjustments might be necessary to related expenses, excess of revenues over expenses and cash flows from operations for the year ended December 31, 2025, non-financial assets as at December 31, 2025, and accumulated surplus as at December 31, 2025.

As described in Note 8 the Village entered into a contract, which allowed third party access to their gravel pit. During the period, information was not available to determine the quantity crushed and removed from the site and therefore the provision for gravel pit closure, which is based on the tonnes crushed, was not able to be adjusted by management. In addition, the lack of information did not allow for the verification of the completeness of the sale of gravel commission which is a component of the contract. Therefore, we were unable to determine whether adjustments might be necessary to the provision for gravel pit closure, related revenue, accretion expense, excess of revenue and expenses, accumulated surplus and cash flows from operations for the year ended December 31, 2025.

Information was not available to determine the costs associated with any additional potential asset retirement obligations. It is currently not known what adjustments, if any, might be necessary to tangible capital assets, asset retirement obligations, accretion expense, excess of revenue and expenses, accumulated surplus and cash flows from operations as at December 31, 2025.

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 Village'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 Village'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 Municipality'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 Municipality'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 Municipality 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.

**Medicine Hat,
Alberta**

MNP LLP

**April 21, 2026
Chartered Professional Accountants**

Village of Empress
Statement of Operations

For the year ended December 31, 2025

	Budget (Note 18)	2025	2024 (Restated)
REVENUE			
Net municipal taxes (Schedule III)	217,466	308,126	193,962
User fees and sales of goods	126,157	134,964	114,982
Government transfers for operating (Schedule IV)	200,467	239,222	232,368
Investment interest income	15,250	28,276	46,896
Penalties and costs of taxes	9,704	33,163	15,891
Licenses and permits	325	5,315	595
Franchise and concession contracts	4,200	6,558	4,491
Sale of gravel	100,000	482,357	117,763
Sale of lots	10,000	5,100	46,890
Other	16,092	217,958	76,076
	699,661	1,461,039	849,914
EXPENSES			
General Government			
Council and other legislative	17,585	37,199	15,815
General administration	264,416	356,713	287,737
Protective Services			
Fire	19,415	34,162	25,177
Environmental Use and Protection			
Water supply and distribution	124,724	227,152	202,431
Wastewater treatment and disposal	38,250	52,224	25,406
Waste management	24,750	16,202	24,041
Public Health and Welfare			
Family and community support	10,752	9,479	17,549
Planning and Development			
Land use planning, zoning and development	12,350	6,828	-
Transportation			
Roads, streets, walks, lighting	106,835	156,426	91,890
Recreation and Culture			
Parks and recreation	50,808	42,606	55,888
Libraries, museums, halls	16,736	9,582	12,372
	686,621	948,573	758,306
EXCESS OF REVENUE OVER EXPENSES - BEFORE OTHER	13,040	512,466	91,608
OTHER			
Loss on write-down of land held for resale inventory	-	-	(28,900)
Loss on disposal of tangible capital assets	-	(2,706)	-
Government transfers for capital (Schedule IV)	538,562	2,613,588	313,823
	538,562	2,610,882	284,923
EXCESS OF REVENUE OVER EXPENSES	551,602	3,123,348	376,531
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,395,660	5,395,660	5,019,129
ACCUMULATED SURPLUS, END OF YEAR	5,947,262	8,519,008	5,395,660

The accompanying notes are an integral part of these financial statements

Village of Empress
Statement of Changes in Net Financial Assets
For the year ended December 31, 2025

	Budget (Note 18)	2025	2024 <i>(Restated)</i>
EXCESS OF REVENUE OVER EXPENSES	551,602	3,123,348	376,531
Acquisition of tangible capital assets	(512,850)	(2,647,920)	(360,689)
Amortization of tangible capital assets	-	210,326	156,016
Loss on sale of tangible capital assets	-	2,706	-
INCREASE IN NET FINANCIAL ASSETS	38,752	688,460	171,858
NET FINANCIAL ASSETS, BEGINNING OF YEAR	929,795	929,795	757,937
NET FINANCIAL ASSETS, END OF YEAR	968,547	1,618,255	929,795

The accompanying notes are an integral part of these financial statements

Village of Empress
Statement of Cash Flows
For the year ended December 31, 2025

	2025	2024 <i>(Restated)</i>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenues over expenses	3,123,348	376,531
Non-cash items included in excess of revenues over expenses:		
Amortization of tangible capital assets	210,326	156,016
Loss on disposal of tangible capital assets	2,706	-
Write-down of land held for resale inventory	-	28,900
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes	(38,877)	(14,354)
Decrease (increase) in trade and other accounts receivable	(597,770)	(72,178)
Decrease (increase) in land held for resale	16,836	-
Increase (decrease) in accounts payable and accrued liabilities	30,943	(43,554)
Cash provided by operating transactions	2,747,512	431,361
CAPITAL		
Acquisition of tangible capital assets	(2,641,357)	(360,689)
Cash applied to capital transactions	(2,641,357)	(360,689)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	106,155	70,672
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	654,330	583,658
CASH AND CASH EQUIVALENTS, END OF YEAR	760,485	654,330
 Cash and cash equivalents is made up of:		
Cash	1,010,255	3,017,071
Less: restricted portion of cash <i>(Note 3)</i>	(249,770)	(2,362,741)
760,485	760,485	654,330

The accompanying notes are an integral part of these financial statements

Village of Empress
Schedule I - Schedule of Changes in Accumulated Surplus
For the year ended December 31, 2025

	Unrestricted Surplus	Restricted Surplus (Note 12)	Equity in Tangible Capital Assets (Note 11)	2025	2024 <i>(Restated)</i>
BALANCE, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	500,983	424,115	4,465,865	5,390,963	5,019,129
PRIOR PERIOD ADJUSTMENT (Note 2)	4,697	-	-	4,697	-
BALANCE, BEGINNING OF YEAR AS RESTATED	505,680	424,115	4,465,865	5,395,660	5,019,129
Excess of revenue over expenses	3,123,348	-	-	3,123,348	376,531
Current year funds used for tangible capital assets	(2,647,920)	-	2,647,920	-	-
Annual amortization expense	210,326	-	(210,326)	-	-
Loss on disposal of tangible capital assets	2,706	-	(2,706)	-	-
Change in accumulated surplus	688,460	-	2,434,888	3,123,348	376,531
BALANCE, END OF YEAR	1,194,140	424,115	6,900,753	8,519,008	5,395,660

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Village of Empress
Schedule II - Schedule of Tangible Capital Assets
For the year ended December 31, 2025

	Land	Land Improvements	Buildings	Engineered structures	Machinery & equipment	Vehicles	2025	2024
COST:								
BALANCE, BEGINNING OF YEAR	40,907	490,412	1,394,483	4,778,151	597,169	159,723	7,460,845	7,100,156
Acquisition of tangible capital assets	10,324	7,800	64,676	2,545,846	19,274	-	2,647,920	360,689
Disposal of tangible capital assets	(1)	-	-	-	(49,205)	-	(49,206)	-
BALANCE, END OF YEAR	51,230	498,212	1,459,159	7,323,997	567,238	159,723	10,059,559	7,460,845
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	-	165,730	376,815	1,885,860	406,852	159,723	2,994,980	2,838,964
Annual amortization	-	11,856	33,988	134,183	30,299	-	210,326	156,016
Accumulated amortization on disposals	-	-	-	-	(46,500)	-	(46,500)	-
BALANCE, END OF YEAR	-	177,586	410,803	2,020,043	390,651	159,723	3,158,806	2,994,980
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	51,230	320,626	1,048,356	5,303,954	176,587	-	6,900,753	4,465,865
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	40,907	324,682	1,017,668	2,892,291	190,317	-	4,465,865	

The accompanying notes are an integral part of these financial statements

Village of Empress
Schedule III - Schedule of Net Municipal Taxes
For the year ended December 31, 2025

	Budget	2025	2024
	(Note 18)		
TAXATION			
Real property taxes	219,021	329,830	218,987
Linear property taxes	-	8,093	-
Government grants in lieu of property taxes	5,066	6,852	10,905
	224,087	344,775	229,892
REQUISITIONS			
Alberta School Foundation Fund	-	26,033	25,048
Seniors Foundation	-	3,876	4,261
Policing	6,621	6,740	6,621
	6,621	36,649	35,930
NET MUNICIPAL TAXES	217,466	308,126	193,962

The accompanying notes are an integral part of these financial statements

Village of Empress
Schedule IV - Schedule of Government Transfers
For the year ended December 31, 2025

	Budget	2025	2024
	(Note 18)		
TRANSFERS FOR OPERATING			
Provincial Government	66,655	66,655	66,655
Other Local Governments	133,812	172,567	165,713
	200,467	239,222	232,368
TRANSFERS FOR CAPITAL			
Provincial Government	538,562	2,613,588	313,823
TOTAL GOVERNMENT TRANSFERS	739,029	2,852,810	546,191

The accompanying notes are an integral part of these financial statements

Village of Empress
Schedule V - Schedule of Expenses by Object
For the year ended December 31, 2025

	Budget	2025	2024
	(Note 18)		
EXPENSES BY OBJECT			
Salaries, wages and benefits	277,126	323,837	167,297
Contracted and general services	167,337	196,007	210,860
Materials, goods and utilities	198,327	197,396	195,974
Transfers to local boards and agencies	41,431	18,398	25,740
Bank charges and short-term interest	2,400	2,609	2,419
Amortization of tangible capital assets	-	210,326	156,016
	686,621	948,573	758,306

The accompanying notes are an integral part of these financial statements

Village of Empress
Schedule VI - Schedule of Segmented Disclosure
For the year ended December 31, 2025

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Use & Protection	Public Health & Welfare	Total
REVENUE								
Net municipal taxes	308,126	-	-	-	-	-	-	308,126
Government transfers for operating	226,600	-	-	-	5,869	-	6,753	239,222
User fees and sales of goods	-	-	4,892	-	-	129,822	250	134,964
Investment interest income	28,276	-	-	-	-	-	-	28,276
Penalties and costs of taxes	29,125	-	-	-	-	4,038	-	33,163
Licenses and permits	3,815	-	-	1,500	-	-	-	5,315
Franchise and concession contracts	6,558	-	-	-	-	-	-	6,558
Sale of gravel	-	-	482,357	-	-	-	-	482,357
Sale of lots	-	-	-	5,100	-	-	-	5,100
Other revenues	168,731	21,173	4,029	8,368	14,677	980	-	217,958
	771,231	21,173	491,278	14,968	20,546	134,840	7,003	1,461,039
EXPENSES								
Contract and general services	56,380	6,821	1,524	6,828	20,327	102,927	1,200	196,007
Salaries, wages, and benefits	207,261	5,000	76,076	-	-	35,500	-	323,837
Materials, goods, and utilities	109,129	4,232	45,791	-	6,816	31,428	-	197,396
Transfers to local boards	-	-	119	-	10,000	-	8,279	18,398
Other expenses	2,609	-	-	-	-	-	-	2,609
	375,379	16,053	123,510	6,828	37,143	169,855	9,479	738,247
NET REVENUE, BEFORE AMORTIZATION	395,852	5,120	367,768	8,140	(16,597)	(35,015)	(2,476)	722,792
Government transfers for capital	-	-	-	-	22,331	2,591,257	-	2,613,588
Loss on disposal of tangible capital assets	(2,706)	-	-	-	-	-	-	(2,706)
Amortization expense	(18,533)	(18,109)	(32,916)	-	(15,045)	(125,723)	-	(210,326)
NET REVENUE	374,613	(12,989)	334,852	8,140	(9,311)	2,430,519	(2,476)	3,123,348

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenditures, and changes in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Village and are, therefore, accountable to Village Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes requisitions for education, health, social and senior foundations that are not part of the Village's 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 or goods have yet to be provided.

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 public sector accounting standards 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 expenses 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.

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

Expenditures that relate to on-going environmental and reclamation programs are charged against earnings as incurred. Future site restoration costs are recognized based upon assumptions and estimates related to the amount and timing of costs for future removal and site restoration.

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)*

d) Valuation of Financial Assets and Liabilities

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

<u>Financial statement component</u>	<u>Measurement</u>
Cash and cash equivalents	Cost and amortized cost
Trade and other accounts receivables	Lower of cost or net recoverable value
Investments	Amortized cost
Accounts payable and accrued liabilities	Cost

e) Cash and Investments

Cash is comprised of balances held with banks and short-term investments with maturities of three months or less.

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

f) Debt Charges Recoverable

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

g) Requisition Over-levy and Under-levy

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

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

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

h) 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.

Proceeds from sales of land held for resale are recorded as revenue in the period in which the events giving rise to the transfer occurred, providing the transfers are authorized, the eligibility criteria have been met and reasonable estimates of the amounts can be made.

i) 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 from previous page)*

j) Asset Retirement for Gravel Pit Closure and Post-Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Village is required to fund the closure of its gravel site and provide for post-closure care of the site. Closure and post-closure activities include landscaping, as well as surface and ground water monitoring, and visual inspection. The requirement is being provided for over the estimated remaining life of the gravel site based on usage.

k) Asset Retirement

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 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 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.

Currently no asset retirement obligations have been recognized, other than the gravel pit closure as described above, as information to determine the obligations, was not available at the time of issuance of these statements.

l) Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the Village is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

m) Revenue Recognition

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

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

1. SIGNIFICANT ACCOUNTING POLICIES *(continued from previous page)*

n) Government Transfers

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

Government transfers are recognized 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.

o) Deferred revenue

Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.

p) 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 (shortfall) of revenue over expenses, provides the change in net financial assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight line basis over the estimated useful life as follows:

	<u>Years</u>
Buildings	40
Land improvements	20
Engineered structures:	
Water system	75
Wastewater system	75
Other engineered structures	25 - 40
Machinery and equipment	4-15
Vehicles	10

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (continued from previous page)

q) Future accounting pronouncements

The Village will adopt the following new conceptual framework and accounting standards approved by the Public Sector Accounting Board:

i. Effective April 1, 2026, *The Conceptual Framework for Financial Reporting in the Public Sector*. The Conceptual Framework is the foundation for public sector financial reporting standards. 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.

ii. Effective April 1, 2026, PS 1202 Financial Statement Presentation. Section PS 1202 sets out general and specific requirements for the presentation and information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

The Village is currently assessing the impact of the new conceptual framework and standard, and the extent of the impact of their adoption on the financial statements has not yet been determined.

2. CORRECTION OF AN ERROR

During the year, the Village determined that land inventory held for resale and deferred revenue were incorrectly recorded in the prior year. As a result, prior year land inventory held for resale was overstated by \$28,900, trade and other receivables was overstated by \$59,633, revenue was understated by \$33,597, loss on write-downs of land held for resale inventory was understated by \$28,900 and deferred revenue was overstated by \$93,230. These errors led to the opening net asset adjustment in unrestricted surplus of \$4,697.

Prior year figures have been restated as a result of these corrections.

3. CASH AND CASH EQUIVALENTS

	2025	2024
Cash	1,010,255	3,017,071

Included in cash are restricted amounts of \$249,770 (2024 - \$2,362,741) received from the Municipal Sustainability Initiative and other sources and held exclusively for approved projects, as disclosed in Note 7.

4. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2025	2024
Current taxes and grants in place of taxes	77,848	29,871
Arrears taxes	8,576	17,676
	86,424	47,547

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

	2025	2024
Trade receivables	60,251	39,046
Receivable from other governments	667,434	200,642
Goods and services tax receivable	133,019	23,246
	860,704	262,934

6. INVESTMENTS

	2025	2024
Equity investments in UFA and South Country Co-op	2,670	2,670

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2025

7. DEFERRED REVENUE

	2025	<i>2024 (Restated)</i>
Alberta Municipal Sustainability Initiative - Capital	140,712	217,984
Canada Community-Building Fund	108,497	242,933
Alberta Municipal Water/Wastewater Partnership	-	1,690,313
Local Government Fiscal Framework	-	200,642
Empress and District Fine Arts, Cultural, and Leisure Society	561	543
Community and Regional Economic Support	-	10,326
	249,770	2,362,741

Alberta Municipal Sustainability Initiative (MSI Capital)

The MSI is the Province of Alberta's commitment to assist municipalities in meeting growth-related challenges and enhancing long term sustainability. It includes incentives to encourage collaboration and cooperation between municipalities. The use of these funds is restricted to eligible capital projects, as approved under the funding agreement. \$7,293 of funds were received and \$84,566 of funds were allocated to capital projects in 2025 (2024- received \$70,091 and allocated \$144,278).

Canada Community-Building Fund (CCBF)

The Canada Community-Building fund provides long term funding to municipalities to help build and revitalize local public infrastructure. The use of these funds is restricted to eligible capital projects as approved under the funding agreement. \$7,758 of funds were received, \$58,989 were approved, and \$201,183 of funds were allocated to projects in 2025 (2024 - received \$65,554 and allocated \$81,638). Approved funds of \$58,989 are included in receivables from other governments as disclosed in Note 5.

Alberta Municipal Water/Wastewater Partnership (AMWWP)

The AMWWP is the Province of Alberta's way to provide cost-shared funding to eligible municipalities to aid in the construction of municipal facilities for water supply and treatment, and wastewater treatment and disposal. The use of these funds is restricted to eligible capital projects as approved under the funding agreement. \$29,077 of funds were received and \$1,719,390 of funds were allocated to projects in 2025 (2024 - received \$1,615,351 and allocated \$81,638).

Local Government Fiscal Framework Program (LGFF)

The Government of Alberta, represented by the Minister of Municipal Affairs, provides assistance to local governments in delivering municipal services to Albertans. The use of these funds is restricted to eligible capital projects as approved under the funding agreement. \$206,977 of funds were approved and \$407,619 of funds were allocated to projects in 2025 (2024 - approved \$200,642 and allocated \$nil). The total LGFF funding of \$407,619 are included in receivables from other governments as disclosed in Note 5.

Empress and District Fine Arts, Cultural, and Leisure Society

Funding was received for the purpose of renovating the Village Hall. This project was completed in 2024. The remaining balance will be used towards future projects.

Community and Regional Economic Support (CARES)

The CARES program funds initiatives led by Alberta municipalities aimed at enhancing local economic conditions by leveraging resources to build capacity for sustainable economic development. This program was completed in 2024 and funds were paid back to CARES in 2025.

8. ASSET RETIREMENT OBLIGATION FOR GRAVEL PIT CLOSURE AND POST-CLOSURE

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the Environmental Protection Act. These costs include landscaping as well as surface and ground water monitoring and visual inspections. There is uncertainty with respect to the measurement of estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. A third party commitment exists for those who hold claims on the stockpiles in the gravel pits owned by the Village for the future reclamation.

Due to the unknown timeline of actual gravel usage, the term of the reclamation is unknown. The accrued liability portion is a valuation based on the report received by the Village in the 2017 year. As future expansion is planned, the fair market value of the liability will be adjusted on an annual basis when expansion of the site occurs plus an annual accretion adjustment for inflation at a rate of 1.67%.

The total capacity of the opened site is estimated at 100,000 tonnes with the estimated remaining development capacity of 47,632 tonnes as at December 31, 2021. During 2022, a contract with a third party was entered into which allowed for the crushing and removal of gravel from the Village's gravel pit. Information regarding the amounts of crushed and removed gravel were not available when the financial statements were being prepared and therefore the remaining development capacity was not known as of December 31, 2025. As such the liability has not been adjusted for any development during 2025.

The Village has not designated assets for settling closure and post-closure liabilities.

	2025	2024
Estimated capacity used as at December 31, 2021	52.37 %	52.37 %
Total accrued liability	38,149	38,149
Less: Amounts receivable from Special Areas	(7,735)	(7,735)
Accrued liability portion	30,414	30,414

9. ASSET RETIREMENT OBLIGATION

Water lagoon and other

The Village may have obligations relating to retirement of a water lagoon and other structures. The Village currently does not have information to know if, or to what extent, a liability exists. It is not known what impact this would have to the statements at this time.

Asbestos

The Village may have title to a building with asbestos and currently does not have information to know if, or to what extent, a liability exists. It is not known what impact this would have to the statements at this time.

Village of Empress
Notes to the Financial Statements

For the year ended December 31, 2025

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 Village of Empress be disclosed as follows:

	2025	<i>2024</i> <i>(Restated)</i>
Total debt limit	2,191,559	1,274,871
Total debt	-	-
Amount of debt limit unused	2,191,559	1,274,871
Debt servicing limit	365,260	212,479
Debt servicing	-	-
Amount of debt servicing limit unused	365,260	212,479

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a 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.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	<i>2024</i>
Tangible capital assets (Schedule II)	10,059,559	7,460,845
Accumulated amortization (Schedule II)	(3,158,806)	(2,994,980)
	6,900,753	4,465,865

12. ACCUMULATED SURPLUS

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

	2025	<i>2024</i> <i>(Restated)</i>
Unrestricted surplus	1,194,140	505,680
Restricted surplus	424,115	424,115
Equity in tangible capital assets (Note 11)	6,900,753	4,465,865
	8,519,008	5,395,660

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2025

13. SEGMENTED DISCLOSURE

The Village of Empress 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 VI).

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

14. SALARY AND BENEFITS DISCLOSURE

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

	Salary ¹	Benefits & allowances ²	2025	2024
Mayor:				
A. Johnston	-	-	-	1,325
D. Martin	4,895	5,670	10,565	-
Deputy Mayor:				
K. Robson	1,985	1,432	3,417	-
Councillors:				
A. Kennedy	2,085	1,432	3,517	-
C. Steinley	1,475	-	1,475	1,365
K. Burgess	2,300	3,676	5,976	2,820
D. Martin	-	-	-	3,010
Designated officer (2024 - 2 positions)	-	-	-	96,987
Chief Administrative Officer	93,966	16,816 ³	110,782	-
Assistant Chief Administrative Officer	35,406	5,213 ³	40,619	-

1. Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
2. Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition.
3. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

Village of Empress
Notes to the Financial Statements
For the year ended December 31, 2025

15. COMMITMENTS

The Village has entered into a memorandum of understanding with the Acadia Foundation to assist with the repayment of debt associated with the Acadia Foundation's expansion. Presently, the Acadia Foundation is undertaking the Acadia Foundation Building Expansion Project which includes upgrades, renovations, construction and expansion of the three lodges in the communities of Oyen, Consort and Hanna. In order to fund the project the Foundation will borrow not more than \$25 million over the term of the project. As of December 31, 2008 the Foundation had borrowed the entire \$25 million to fund constructions. The Village, as a municipality to the Acadia Foundation, is committed to pay their proportional share of the borrowing based on the equalized assessment for the year in which the funds were borrowed. The Village's share of the borrowing will be repaid over a period of 10 years in the amount of approximately \$3,280 per year.

16. CONTINGENCIES

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

17. FINANCIAL INSTRUMENTS

The Village's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities. It is management's opinion that the Village is not exposed to significant interest rate or currency risks arising from these financial instruments.

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

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

18. RECONCILIATION OF OPERATING RESULTS TO BUDGET

The December 31, 2025 budget, prepared by the Village of Empress, reflects all municipal activities including capital purchases, debt repayments and reserves for future use. The reconciliation below is provided to encompass these items and is provided for information purposes only. It should not be used as a replacement for the statement of financial activities and accumulated surplus and users should note that this information may not be appropriate for their purposes.

	Budget	2025	2024
Excess of revenue over expenditures, per financial statements	551,602	3,123,348	376,531
Add back:			
Amortization of tangible capital assets	-	210,326	156,016
Deduct:			
Tangible capital asset purchases	(512,850)	(2,647,920)	(360,689)
Loss (gain) on disposal of tangible capital assets	-	2,706	-
Results of operations	38,752	688,460	171,858

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year presentation.

20. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.