TOWN OF HANNA

Financial Statements

Year Ended December 31, 2025

TOWN OF HANNA
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Year Ended December 31, 2025

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Town of Hanna (the "Town") is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and all the information contained within this financial report. Management believes that the financial statements present fairly the Town'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 Town Council carries out its responsibilities for review of the financial statements primarily through its audit committee. Council meets annually with management and external auditors to discuss the results of audit examinations and financial reporting matters.

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

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

Matthew Norburn
Chief Administrative Officer

Winona Gutsche
Director of Corporate Services

INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the Town of Hanna

Opinion

We have audited the financial statements of Town of Hanna (the "Town"), 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 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, changes in 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 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 (PSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(continues)

- 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.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation: In accordance with Alberta Regulation 255/2000, we confirm that the Town is in compliance with the Debt Limit Regulation. A detailed account of the Town's debt limit can be found in Note 12.

Supplementary Accounting Principles and Standards Regulation: In accordance with Alberta Regulation 313/2000, we confirm that the Town is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 1.

Ascend

Ascend LLP
Chartered Professional Accountants
Hanna, Alberta
April 28, 2026

TOWN OF HANNA
Statement of Financial Position
As at December 31, 2025

	2025	2024
FINANCIAL ASSETS		
Cash *(Note 2)*	**$ 5,179,661**	$ 4,800,195
Receivables		
Taxes and grants in place of taxes receivable *(Note 3)*	**185,464**	149,640
Trade and other receivables *(Note 3)*	**2,812,384**	3,066,309
Land inventory held for resale	**102,930**	141,380
Investments *(Note 4)*	**2,316,436**	2,343,757
	10,596,875	10,501,281
LIABILITIES		
Accounts payable	**421,875**	270,470
Deposit liabilities	**9,304**	7,730
Deferred revenue *(Note 5)*	**1,856,417**	1,585,118
Employee benefit obligations *(Note 6)*	**281,672**	271,337
Asset retirement obligations *(Note 7)*	**1,314,189**	1,251,609
	3,883,457	3,386,264
NET FINANCIAL ASSETS	**6,713,418**	7,115,017
NON-FINANCIAL ASSETS		
Tangible capital assets *(Schedule 2)*	**37,676,974**	36,180,025
Land inventory	**200,000**	900,668
Prepaid expenses	**5,590**	5,161
	37,882,564	37,085,854
ACCUMULATED SURPLUS *(Schedule 1, Note 9)*	**$ 44,595,982**	$ 44,200,871

CONTAMINATED SITES LIABILITY *(Note 8)*

COMMITMENTS *(Note 17)*

CONTINGENCY *(Note 18)*

Approved on behalf of Town Council:

Mayor

Councillor

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Statement of Operations
Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
REVENUE			
Net municipal taxes *(Schedule 3)*	$ 2,964,098	**$ 2,963,596**	$ 2,849,276
User fees and sale of goods	2,305,316	**2,619,888**	2,227,938
Government transfers for operating *(Schedule 4)*	1,869,569	**1,689,101**	1,461,140
Investment income	287,000	**245,718**	354,773
Penalties and costs on taxes	19,865	**24,455**	19,196
Franchise and concession contracts *(Note 14)*	548,400	**544,733**	548,397
Licenses and permits	23,100	**28,150**	22,735
Fines	4,000	**1,300**	1,700
Rentals	329,956	**318,572**	324,768
Insurance proceeds	-	**10,000**	-
Gain on disposal of tangible capital assets	-	**58,882**	29,000
Other	166,750	**65,372**	40,130
Total Revenue	8,518,054	**8,569,767**	7,879,053
EXPENSES			
General government			
Council and other legislative	160,950	**144,345**	137,885
General administrative	1,345,755	**1,284,640**	1,182,042
Protective services			
Police	124,827	**124,827**	142,343
Fire	420,184	**625,363**	535,430
Disaster and emergency measures	13,200	**11,561**	11,320
Bylaw enforcement	101,600	**85,995**	79,687
Transportation services			
Common and equipment pool	584,869	**655,372**	634,496
Roads, streets, walks, lighting	446,200	**1,096,172**	689,381
Storm sewers and drainage	-	**15,467**	15,467
Airport	35,720	**92,327**	72,674
Environmental services			
Water supply and distribution	1,321,393	**1,295,914**	1,233,985
Wastewater treatment and disposal	367,120	**270,981**	220,893
Waste management	404,400	**404,393**	410,338
Public health and welfare			
Family and community support	203,012	**186,954**	185,407
Cemeteries and crematoriums	30,430	**21,652**	21,448
Planning and development			
Economic development	251,060	**273,445**	208,965
Subdivision land and development	-	**765,807**	29,818
Recreation and culture			
Parks and recreation	1,462,631	**1,695,247**	1,655,944
Libraries, museums, halls	465,005	**466,386**	511,601
Recreation boards	3,500	**3,184**	3,150
Total Expenses	7,741,856	**9,520,032**	7,982,274
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES - BEFORE CAPITAL REVENUE	776,198	**(950,265)**	(103,221)
Government transfers for capital (Schedule 4)	3,859,436	**1,345,376**	6,140,710
Other capital revenue	-	**-**	273,200

(continues)

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA

Statement of Operations *(continued)*

Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
EXCESS OF REVENUE OVER EXPENSES	4,635,634	**395,111**	6,310,689
ACCUMULATED SURPLUS, BEGINNING OF YEAR	44,200,871	**44,200,871**	37,890,182
ACCUMULATED SURPLUS, END OF YEAR	$ 48,836,505	**$ 44,595,982**	$ 44,200,871

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Statement of Changes in Net Financial Assets
Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
EXCESS OF REVENUE OVER EXPENSES	$ 4,635,634	**$ 395,111**	$ 6,310,689
Acquisition of tangible capital assets	(3,824,600)	**(3,008,714)**	(7,486,021)
Amortization of tangible capital assets	-	**1,511,760**	1,311,270
Proceeds on disposal of tangible capital assets	-	**58,886**	92,900
Gain on disposal of tangible capital assets	-	**(58,882)**	(12,159)
	(3,824,600)	**(1,496,950)**	(6,094,010)
Change in prepaid expenses	-	**(429)**	12,618
Impairment of land inventory	-	**700,669**	-
	(3,824,600)	**(796,710)**	(6,081,392)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	811,034	**(401,599)**	229,297
NET FINANCIAL ASSETS, BEGINNING OF YEAR	7,115,017	**7,115,017**	6,885,720
NET FINANCIAL ASSETS, END OF YEAR	$ 7,926,051	**$ 6,713,418**	$ 7,115,017

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Statement of Cash Flows
Year Ended December 31, 2025

	2025	2024
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	**$ 395,111**	$ 6,310,689
Items not affecting cash:		
Amortization of tangible capital assets	**1,511,760**	1,311,270
Gain on disposal of tangible capital assets	**(58,882)**	(12,159)
Accretion of asset retirement obligations *(Note 7)*	**62,580**	59,600
Impairment of land inventory	**700,669**	-
	2,611,238	7,669,400
Non-cash changes to operations (net change):		
Taxes and grants in place of taxes receivable	**(35,824)**	(43,862)
Trade and other receivables	**253,925**	(581,547)
Land inventory held for resale	**38,450**	18,749
Accounts payable	**151,405**	(75,006)
Deposit liabilities	**1,574**	1,328
Deferred revenue	**271,299**	(784,244)
Employee benefit obligations	**10,335**	(4,298)
Prepaid expenses	**(429)**	12,618
	690,735	(1,456,262)
	3,301,973	6,213,138
CAPITAL		
Proceeds on disposal of tangible capital assets	**58,886**	92,900
Acquisition of tangible capital assets *(Schedule 2)*	**(3,008,714)**	(7,392,276)
	(2,949,828)	(7,299,376)
INVESTING		
Change in investments	**27,321**	(58,019)
Decrease (increase) in restricted cash	**575,581**	(182,544)
	602,902	(240,563)
CHANGE IN CASH DURING THE YEAR	**955,047**	(1,326,801)
CASH, BEGINNING OF YEAR	**3,984,375**	5,311,176
CASH, END OF YEAR	**$ 4,939,422**	$ 3,984,375
CASH CONSISTS OF:		
Cash	**$ 5,179,661**	$ 4,800,195
Less: restricted portion of cash *(Note 2)*	**(240,239)**	(815,820)
	$ 4,939,422	$ 3,984,375

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA

Schedule of Changes in Accumulated Surplus **(Schedule 1)**

Year Ended December 31, 2025

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2025	2024
BALANCE, BEGINNING OF YEAR	$ 5,515,815	$ 3,756,640	$ 34,928,416	**$ 44,200,871**	$ 37,890,182
Excess of revenues over expenses	395,111	-	-	**395,111**	6,310,689
Unrestricted funds designated for future use	(850,629)	850,629	-	-	-
Restricted funds used for operations	140,079	(140,079)	-	-	-
Restricted funds used for tangible capital assets	-	(752,206)	752,206	-	-
Current year funds used for tangible capital assets	(2,256,508)	-	2,256,508	-	-
Net book value of disposed tangible capital assets	5	-	(5)	-	-
Annual amortization expense	1,511,760	-	(1,511,760)	-	-
Asset retirement obligations accretion expense	62,580	-	(62,580)	-	-
Change in accumulated surplus	(997,602)	(41,656)	1,434,369	**395,111**	6,310,689
BALANCE, END OF YEAR	$ 4,518,213	$ 3,714,984	$ 36,362,785	**$ 44,595,982**	$ 44,200,871

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Schedule of Tangible Capital Assets **(Schedule 2)**
Year Ended December 31, 2025

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2025	2024
COST								
BALANCE, BEGINNING OF YEAR	$ 1,255,927	$ 3,548,236	$ 18,407,532	$ 28,113,527	$ 5,319,210	$ 3,257,154	**$ 59,901,586**	$ 52,601,890
Acquisition of tangible capital assets	-	-	182,431	2,266,103	497,015	63,165	**3,008,714**	7,454,874
Construction-in-progress	-	-	-	-	-	-	**-**	31,147
Disposals of tangible capital assets	-	-	-	-	(47,032)	(192,351)	**(239,383)**	(186,325)
BALANCE, END OF YEAR	1,255,927	3,548,236	18,589,963	30,379,630	5,769,193	3,127,968	**62,670,917**	59,901,586
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	1,412,555	5,899,314	11,373,345	3,509,541	1,526,806	**23,721,561**	22,515,875
Amortization	-	112,821	363,529	642,761	277,115	115,534	**1,511,760**	1,311,270
Disposals	-	-	-	-	(47,030)	(192,348)	**(239,378)**	(105,584)
BALANCE, END OF YEAR	-	1,525,376	6,262,843	12,016,106	3,739,626	1,449,992	**24,993,943**	23,721,561
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 1,255,927	$ 2,022,860	$ 12,327,120	$ 18,363,524	$ 2,029,567	$ 1,677,976	**$ 37,676,974**	$ 36,180,025
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	$ 1,255,927	$ 2,135,681	$ 12,508,218	$ 16,740,182	$ 1,809,669	$ 1,730,348	**$ 36,180,025**	

The Town owns certain historical buildings and equipment, which are not included in the tangible capital assets.

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA

Schedule of Property and Other Taxes (Schedule 3)

Year Ended December 31, 2025

	Budget (Unaudited)	2025	2024
TAXATION			
Real property taxes	$ 3,640,463	**$ 3,640,768**	$ 3,469,642
Linear property taxes	152,975	**152,975**	151,896
Government grants in place of property taxes	85,060	**84,253**	66,833
	$ 3,878,498	**$ 3,877,996**	$ 3,688,371
REQUISITIONS			
Alberta School Foundation Fund	$ 745,100	**$ 745,087**	$ 665,017
Acadia Seniors Foundation	169,300	**169,313**	174,078
	$ 914,400	**$ 914,400**	$ 839,095
NET MUNICIPAL TAXES	$ 2,964,098	**$ 2,963,596**	$ 2,849,276

Schedule of Government Transfers (Schedule 4)

Year Ended December 31, 2025

	Budget (Unaudited)	2025	2024
TRANSFERS FOR OPERATING			
Provincial government	$ 657,900	**$ 534,891**	$ 431,295
Federal government	78,300	**28,770**	2,744
Local governments	1,133,369	**1,125,440**	1,027,101
	$ 1,869,569	**$ 1,689,101**	$ 1,461,140
TRANSFERS FOR CAPITAL			
Provincial government	$ 3,859,436	**$ 1,304,770**	$ 904,968
Federal government	-	**-**	5,005,047
Local governments	-	**40,606**	230,695
	$ 3,859,436	**$ 1,345,376**	$ 6,140,710
TOTAL GOVERNMENT TRANSFERS	$ 5,729,005	**$ 3,034,477**	$ 7,601,850

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA
Schedule of Expenses by Object **(Schedule 5)**
Year Ended December 31, 2025

	Budget *(Unaudited)*	**2025**	2024
EXPENSES BY OBJECT			
Salaries, wages and benefits	$ 2,398,927	**$ 2,299,517**	$ 2,201,550
Contracted and general services	2,696,603	**2,492,041**	1,832,291
Purchases from other governments	124,827	**124,827**	142,343
Materials, goods, supplies and utilities	2,091,109	**1,931,672**	1,991,088
Provision for allowances	2,500	**1,795**	9,810
Transfers to local boards and agencies	113,800	**158,789**	157,049
Transfers to individuals and organizations	152,050	**152,289**	140,980
Bank charges and short-term interest	7,300	**6,837**	7,092
Amortization of tangible capital assets *(Schedule 2)*	-	**1,511,760**	1,311,270
Loss on disposal of tangible capital assets	-	**-**	16,841
Other expenses	154,740	**777,925**	112,360
Accretion of asset retirement obligations *(Note 7)*	-	**62,580**	59,600
	$ 7,741,856	**$ 9,520,032**	$ 7,982,274

The accompanying notes are an integral part of these financial statements

TOWN OF HANNA

Schedule of Segmented Disclosure **(Schedule 6)**

Year Ended December 31, 2025

	General Government	Protective Services	Transportation Services	Environmental Services	Public Health and Welfare	Planning and Development	Recreation and Culture	Total
Revenue								
Net municipal taxes	$ 2,963,596	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,963,596
User fees and sales of goods	298,466	96,145	86,016	1,875,085	16,335	47,799	200,042	2,619,888
Government transfers for operating	1,076,121	169,267	17,648	77,027	98,069	-	250,969	1,689,101
Investment Income	245,718	-	-	-	-	-	-	245,718
Penalties and costs on taxes	24,455	-	-	-	-	-	-	24,455
Franchise and concession contracts	544,733	-	-	-	-	-	-	544,733
Licenses and permits	-	28,150	-	-	-	-	-	28,150
Fines	-	1,300	-	-	-	-	-	1,300
Rentals	15,175	-	9,950	-	1,283	-	292,164	318,572
Insurance proceeds	-	-	-	-	-	-	10,000	10,000
Gain on disposal of tangible capital assets	-	-	23,170	-	-	-	35,712	58,882
Other	-	3,500	-	175	2,000	-	59,697	65,372
	5,168,264	298,362	136,784	1,952,287	117,687	47,799	848,584	8,569,767
Expenses								
Salaries, wages and benefits	485,666	150,665	483,682	156,282	50,707	156,056	816,459	2,299,517
Contract and general services	704,132	256,128	334,463	691,636	71,361	64,587	369,734	2,492,041
Purchases from other governments	-	124,827	-	-	-	-	-	124,827
Materials, goods, supplies and utilities	36,709	60,982	317,577	951,848	83,679	57,040	423,837	1,931,672
Provision for allowance	1,795	-	-	-	-	-	-	1,795
Transfers to local boards and agencies	-	10,000	-	-	-	45,000	103,789	158,789
Transfers to individuals and organizations	133,865	-	-	-	629	-	17,795	152,289
Bank charges and short-term interest	6,837	-	-	-	-	-	-	6,837
Other	14,913	2,987	2,279	-	-	704,993	52,753	777,925
	1,383,917	605,589	1,138,001	1,799,766	206,376	1,027,676	1,784,367	7,945,692
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES, BEFORE AMORTIZATION AND OTHER	3,784,347	(307,227)	(1,001,217)	152,521	(88,689)	(979,877)	(935,783)	624,075
Government transfers for capital	9,016	40,606	1,283,066	-	-	-	12,688	1,345,376
Amortization of tangible capital assets	(45,068)	(242,157)	(715,303)	(141,813)	(2,230)	(11,576)	(353,613)	(1,511,760)
Accretion of asset retirement obligations	-	-	(6,034)	(29,709)	-	-	(26,837)	(62,580)
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES	$ 3,748,295	$ (508,778)	$ (439,488)	$ (19,001)	$ (90,919)	$ (991,453)	$ (1,303,545)	$ 395,111

The accompanying notes are an integral part of these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hanna (the "Town") 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 of the Chartered Professional Accountants of Canada. Significant aspects of the accounting polices adopted by the Town are as follows:

(a) Reporting Entity

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

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

The statements exclude trust assets that are administered for the benefit of external parties.

Interdepartmental and organizational transactions and balances are eliminated.

(b) Basis of Accounting

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

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed 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 capital assets are acquired.

(c) Use of Estimates

The preparation of financial statements in conformity with 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 expenditures 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.

Significant financial statement areas requiring the use of management estimates include:

- Useful life of tangible capital assets;
- Fair value of contributed tangible capital assets;
- Valuation of land inventory;
- Employee benefit obligations; and
- Asset retirement obligations.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Valuation of Financial Assets and Liabilities

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

Financial statement component	Measurement
Cash	Cost and amortized cost
Trade and other receivables	Lower of cost or net recoverable value
Land inventory held for resale	Lower of cost or net realizable value
Investments	Cost and amortized cost
Accounts payable	Cost
Deposit liabilities	Cost
Employee benefit obligations	Cost

(e) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions and highly liquid investments.

(f) Investments

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) 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) Land Inventories 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 levelling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as tangible capital assets under the respective function.

(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.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Asset Retirement

Asset retirement obligations are legal obligations associated with the retirement of a tangible capital asset (TCA). Asset retirement activities include all activities relating to an asset retirement obligation. These may include, but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities such as monitoring; and
- constructing other tangible capital assets to perform post-retirement activities.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date;

a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;

b) the past transaction or event giving rise to the liability has occurred;

c) it is expected that future economic benefits will be given up; and

d) a reasonable estimate of the amount can be made.

The Town recognizes liabilities in the period in which an obligation arises for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the tangible capital assets. The obligations are initially measured at management's best estimate of the requirements to settle the retirement obligation. Costs are only discounted where the amount and timing are known with certainty such that discounting would result in a more accurate measurement of the liability.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

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

(k) 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 Town is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the Town 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 are 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. Rentals, and franchise and concession contracts are recognized in accordance with agreements as the related performance obligations are fulfilled. 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.

(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 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 asset is amortized on a straight-line basis over the estimated useful life as follows:

	YEARS
Land improvements	10 to 45
Buildings	25 to 50
Engineered structures	
Water system	45 to 75
Wastewater system	45 to 75
Other engineered structures	5 to 75
Machinery and equipment	5 to 40
Vehicles	10 to 25

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue. Where the estimate of fair value cannot be made or where there is no future benefit related to the assets, the tangible capital assets is recognized at a nominal value.

iii. Cultural and Historical Tangible Capital Assets

Historical buildings and works of art for display are not recorded as tangible capital assets but are disclosed.

(continues)

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 Revenues

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.

2. CASH

The Town received certain grants and donations that are restricted in their use and are to be utilized as funding for certain projects. Since certain projects have not been completed for which this restricted funding has been received, $240,239 (2024 - $815,820) of the cash on hand is not available for general use by the Town.

The Royal Bank pays prime less 1.9% interest on funds maintained in the Town's general bank account.

3. RECEIVABLES

	2025	2024
Property taxes		
Current taxes and grants in place of taxes	$ **100,493**	$ 101,388
Arrears	**84,971**	48,252
	$ **185,464**	$ 149,640
Other		
Provincial grants receivable	$ **1,876,882**	$ 786,815
Trade receivables	**645,677**	469,336
Other governments receivable	**165,952**	347,568
Goods and services tax	**123,873**	174,327
Federal grant receivable	**-**	1,288,263
	$ **2,812,384**	$ 3,066,309

As at December 31, 2025, the Government of Alberta receivable of $1,876,882 (2024 - $786,815) relates to the Canada Community-Building Fund (CCBF) allocations of $195,403 from the 2025 allocation and $189,467 from 2024 allocation, Local Government Fiscal Framework (LGFF) allocation of $651,747 from the 2025 allocation and $579,831 from the 2024 allocation, and Strategic Transportation Infrastructure Program (STIP) grant of $260,434. These allocations are receivable as the Town has submitted eligible capital expenditures that were sufficient for the release of these funding. The previous allocation of the Federation of Canadian Municipalities (FCM) grant amount was received during the year.

4. INVESTMENTS

	2025 Carrying value	2025 Market value	2024 Carrying value	2024 Market value
At amortized cost:				
Federal, provincial and local government bonds	**$ 1,166,261**	**$ 1,118,885**	$ 1,224,015	$ 1,180,001
Other institutional and private corporation bonds	**1,030,175**	**1,032,215**	692,480	694,707
Guaranteed investment certificates	**120,000**	**120,000**	427,262	427,262
	$ 2,316,436	**$ 2,271,100**	$ 2,343,757	$ 2,301,970

Government and private corporation bonds have effective interest rates of 1.0% to 5.6% (2024 – 1.0% to 5.6%) with maturity dates from June 2026 to December 2048.

Guaranteed investment certificates bear interest between 2.10% to 3.25% (2024 - 4.47% to 5.25%) and mature between January 2026 and June 2026.

Investment income recognized in the Statement of Operations includes $84,445 (2024 - $70,636) of interest income.

5. DEFERRED REVENUE

	2024	Additions	Recognized	**2025**
Local Government Fiscal Framework Funding - Capital	$ 579,831	$ 651,747	$ -	**$ 1,231,578**
Canada Community-Building Fund	189,467	195,403	(270)	**384,600**
Special Areas Board	114,653	8,872	(40,606)	**82,919**
Alberta Community Partnership	-	150,000	(77,027)	**72,973**
Alberta Community Resilience Program	37,896	-	-	**37,896**
Centennial Place Donations	21,435	-	-	**21,435**
Alberta Health Services Grants	14,866	-	-	**14,866**
Donations and unearned revenue	10,150	-	-	**10,150**
Municipal Sustainability Initiative - Capital	447,959	-	(447,959)	**-**
Strategic Transportation Infrastructure Program	140,000	660,434	(800,434)	**-**
Alberta Economic Development and Trade Grant Program	20,915	-	(20,915)	**-**
Fire Service Training Grant	7,946	29,498	(37,444)	**-**
	$ 1,585,118	$ 1,695,954	$ (1,424,655)	**$ 1,856,417**

Deferred revenue is comprised of the funds noted above, the use of which, together with earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

Unexpended funds related to the advance are supported by restricted cash of $240,239 (2024 - $815,820) held exclusively for these projects (Note 2).

(continues)

5. DEFERRED REVENUE *(continued)*

Local Government Fiscal Framework Funding (LGFF) - Capital

The LGFF provides capital funding to local governments to support projects that develop, improve, maintain, or otherwise alter infrastructure assets in Alberta communities; facilitate the resiliency and livability of local communities; and support local and provincial economic activities. The balance as at year end represents the unspent portion of the funding receivable.

Canada Community-Building Fund (CCBF)

The CCBF provides long-term funding to municipalities to help build and revitalize local public infrastructure within the Town. The balance as at year end represents the unspent portion of the funding received or receivable.

Special Areas Board

The Special Areas Board provided funding in the prior years for certain fire department capital projects which have not yet been fully expended.

Alberta Community Partnership (ACP)

Provincial government funding was received in the current year to conduct a regional wastewater and lagoon infrastructure study that has not yet been expended.

Alberta Community Resilience Program

Provincial government funding was received in the prior year to support the development of infrastructure to protect from flood and drought events that has not yet been expended.

Centennial Place Donations

Donations were received in prior years to undertake certain upgrades at Centennial Place which have not yet been expended.

Alberta Health Services Grants (AHS)

AHS funding was received in the prior years to undertake certain programs to promote healthy living within the Town which have not yet been fully expended.

6. EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Vacation pay payable	**$ 128,980**	$ 116,944
Vested sick leave payable	**138,579**	142,064
Banked hours payable	**14,113**	12,329
	$ 281,672	$ 271,337

Vacation and banked overtime

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

Vested sick leave payable

The vested sick leave liability is comprised of paid sick days that employees have not used and are being deferred to future years.

7. ASSET RETIREMENT OBLIGATIONS

Asbestos abatement

The Town owns buildings which contain asbestos and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of these buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed.

The liability is based on management's best estimate. Undiscounted future cash flows expected are an abatement cost between year 2033 and 2043 of $1,639,390. The estimated total liability of $690,908 (2024 - $658,008) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 5%. The Town has not designated assets for settling the abatement activities.

Lagoon reclamation

The Town operates lagoon sites and is legally required to perform reclamation of the land surface upon retirement of these sites. Reclamation activities include disposal of waste, removal of overflow culvert and other structures, lagoon deconstruction, surface restoration, and landscaping. A liability for the total obligation has been accrued. The Town estimates that no obligation is incurred incrementally due to volume of wastewater accepted; therefore, no further obligation is being accrued based on volume of wastewater.

The liability is based on management's best estimate. Undiscounted future cash flows expected include closure costs in year 2043 of $1,500,000. The estimated total liability of $623,281 (2024 - $593,601) is based on the discounted future cash flows for reclamation activities using a discount rate of 5%. The Town has not designated assets for settling the reclamation activities.

	2025	2024
Balance, beginning of year	**$ 1,251,609**	$ 1,192,009
Accretion of asset retirement obligations	**62,580**	59,600
Estimated total liability	**$ 1,314,189**	$ 1,251,609

8. CONTAMINATED SITES LIABILITY

The Town owns certain properties that contain levels of soil contaminant that could pose an environmental liability. In prior year, the Town conducted exploratory work for future road and infrastructure improvements and soil samples taken from this work were analyzed and a portion were found to be contaminated.

The extent and severity of the contamination cannot be evaluated or estimated until the associated roads are removed, as a result, the financial liability relating to these sites cannot be reasonably estimated and no accrual has been made in these financial statements.

9. ACCUMULATED SURPLUS

	2025	2024
Unrestricted Surplus	**$ 4,518,213**	$ 5,515,815
Internally restricted surplus:		
Operating:		
Administrative	**44,167**	44,167
Police	**1,306**	1,306
Family and community support services	**11,500**	11,500
Commercial building reserve	**31,165**	31,165
Roads and streets	**105,555**	105,555
Recreation	**65,072**	32,400
General contingency	**899,165**	899,165
Capital restricted surplus:		
Administrative	**7,777**	7,777
Water	**617,500**	592,500
Wastewater	**768,885**	464,000
Recreation	**623,514**	543,593
Fitness centre	**5,781**	5,781
Culture	**72,926**	77,926
General contingency	**47,873**	47,873
Fire	**82,919**	114,653
Garbage	**75,237**	54,800
Streets and roads	**254,642**	722,479
	3,714,984	3,756,640
Equity in Tangible Capital Assets *(Note 10)*	**36,362,785**	34,928,416
	$ 44,595,982	$ 44,200,871

10. EQUITY IN TANGIBLE CAPITAL ASSET

	2025	2024
Tangible capital assets *(Schedule 2)*	**$ 62,670,917**	$ 59,901,586
Accumulated amortization *(Schedule 2)*	**(24,993,943)**	(23,721,561)
Asset retirement obligations *(Note 7)*	**(1,314,189)**	(1,251,609)
	$ 36,362,785	$ 34,928,416

11. TRUST FUNDS

The Town administers the following trusts:

	2025	2024
Hiltbrand trust	**$ 20,000**	$ 20,000
Tax sale trust	**66,804**	66,804
Geuder Educational bursary trust	**55,470**	58,792
	$ 142,274	$ 145,596

12. DEBT LIMITS

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

	2025	2024
Total debt limit	**$ 12,854,651**	$ 11,818,580
Total debt	**-**	-
Amount of debt limit unused	**$ 12,854,651**	$ 11,818,580
Debt servicing limit	**$ 2,142,442**	$ 1,969,763
Debt servicing	**-**	-
Amount of debt servicing limit unused	**$ 2,142,442**	$ 1,969,763

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

13. SEGMENTED DISCLOSURE

The Town of Hanna 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 the following in the preparation of the financial statements as disclosed in Note 1.

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

General government includes council and other legislative and general administration. Protective services includes police, fire, disaster and emergency services, and bylaw enforcement. Transportation services includes common and equipment pool, roads, streets, walks and lighting, storm sewers and drainage, and airport. Environmental services includes water supply and distribution, wastewater treatment and disposal, and waste management. Public health and welfare includes family and community support and cemeteries and crematoriums. Planning and development includes economic development and subdivision land and development. Recreation and culture includes parks and recreation, libraries, museums and halls, and recreation boards.

14. UTILITY FRANCHISE AGREEMENTS

The following franchise fees are disclosed as required under Supplementary Accounting Principles and Standards Regulation required by Alberta Regulation 313/2000.

	2025	2024
APEX Utilities Inc. - Gas	**$ 310,756**	$ 316,408
ATCO Electric Ltd. - Power	**232,140**	230,408
East Central Gas Co-op Ltd. - Gas	**1,837**	1,581
	$ 544,733	$ 548,397

15. SALARY AND BENEFITS

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:

	Salary	Benefits and allowances	**2025**	2024
Councillors				
Mayor Povaschuk	$ 21,410	$ 1,109	**$ 22,519**	$ 22,754
Councillor Beaudoin	10,121	474	**10,595**	11,557
Councillor Crowle	11,603	536	**12,139**	11,595
Councillor Murphy	10,296	464	**10,760**	12,195
Councillor Olsen	9,446	474	**9,920**	11,657
Councillor Thuroo	11,453	536	**11,989**	11,545
Councillor A. Warwick	14,078	548	**14,626**	16,307
Councillor Hunter	1,857	68	**1,925**	-
Councillor Karg	1,857	18	**1,875**	-
Councillor Rorabeck	1,857	68	**1,925**	-
	93,978	4,295	**98,273**	97,610
Chief Administrative Officer (2024 - 2 positions)	$ 141,496	$ 30,632	**$ 172,128**	$ 220,760
Town Assessors	$ 47,834	$ -	**$ 47,834**	$ 47,163

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.

16. 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 *Public Sector Pension Plans Act*. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund. Contributions for current services are recorded as expenditures in the year in which they become due.

	2025	2024
Current service contributions by the Town	**$ 116,046**	$ 96,158
Current service contributions by the employees	**103,000**	85,262
	$ 219,046	$ 181,420

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.

At December 31, 2024, the LAPP disclosed an actuarial surplus of $19.56 billion. This amount is not specifically allocated to the participating government organizations. The 2025 actuarial balance was not available at the date these financial statements were released.

17. COMMITMENTS

On January 24, 2007 the Town became a shareholder of Palliser Regional Municipal Services Company Limited (the "Company"), a Part IX company under The Companies Act of Alberta. The Company provides municipal planning services to its members. This investment commits the Town to funding the annual operational and special needs of the company. Annually, the Town is requisitioned as a shareholder determined by the Board, in the ordinary course of business, and based on the population and the tax assessment as determined by the Town who is a shareholder. The requisition for the year was $44,400 (2024 - $44,400). The Town has the right to cease being a shareholder by giving 600 days notice.

The Town is committed under an agreement with the Marigold Library System to funding certain library initiatives annually based on a per capita formula. The Town provided funding during the year of $15,446 (2024 - $15,465). It is the understanding of the Town, that it can withdraw from the agreement at anytime by giving a one-year notice period.

The Town has entered into a lease agreement with Quadient to rent certain equipment in use by the Town. The aggregate future minimum lease payments are $24,875 (2024 - $32,529).

The minimum lease payments for each of the next five years are as follows:

	2025	2024
2025	$ -	$ 7,654
2026	**7,654**	7,654
2027	**7,654**	7,654
2028	**7,654**	7,654
2029	**1,913**	1,913
	$ 24,875	$ 32,529

18. CONTINGENCY

The Town is a member of the Alberta Local Authorities Reciprocal 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.

19. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash, receivables, investments, accounts payable, deposit liabilities, employee benefit obligations, and asset retirement obligations. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk. The Town is exposed to interest rate risk from investments in bonds instruments whose value fluctuates with changes in quoted market prices.

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

20. BUDGET DATA

The unaudited budget data presented in these financial statements is based upon the 2025 operating and capital budgets approved by Council. Amortization was not contemplated on development of the budget and, as such, has not been included. These budget amounts have not been audited, reviewed, or otherwise verified.

The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue	
Operating budget	$ 11,440,618
Capital budget	1,304,770
Transfer to other funds	(367,898)
Total revenues	12,377,490
Expenses	
Operating budget	8,861,550
Capital budget	3,824,600
Transfer to other funds	(1,119,694)
Capital expenses	(3,824,600)
Total expenses	7,741,856
Excess of revenue over expenses	$ 4,635,634

21. SUBSEQUENT EVENTS

For the purpose of the accompanying financial statements, subsequent events have been evaluated by management.

There were no subsequent events that would have a material impact on these financial statements.

22. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.