Village of Hines Creek

Financial Statements

December 31, 2025

Village of Hines Creek

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Village of Hines Creek

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

The Organization Council carries out its responsibilities for review of the financial statements principally through its meeting with management. The Council meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

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

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

Wendy Wildman

Chief Administrative Officer

DOYLE & COMPANY
CHARTERED PROFESSIONAL ACCOUNTANTS

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

To the Members of Council

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2025, 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 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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT - continued

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

- 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 Organization'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 Organization'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 Organization 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 though to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- Debt Limit Regulation:
  In accordance with Alberta Regulation 255/2000, we confirm that the municipality is in compliance with the Debt Limit Regulation. A detailed account of the Organization's debt limit can be found in Note 9.
- Supplementary Accounting Principles and Standards Regulation:
  In accordance with Alberta Regulation 313/2000, we confirm that the municipality is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 14.

Doyle & Company

Chartered Professional Accountants

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

Village of Hines Creek

Statement of Financial Position

As at December 31, 2025

	2025 $	2024 Restated (Note 20) $
FINANCIAL ASSETS		
Cash and temporary investments (Note 2)	**2,934,736**	2,865,114
Receivables		
Taxes and grants in place of taxes (Note 3)	**67,357**	63,367
Trade and other receivables (Note 3)	**521,028**	372,023
Land for resale inventory	**32,280**	32,280
Investments (Note 4)	**35,131**	36,483
	3,590,532	3,369,267
LIABILITIES		
Accounts payable and accrued liabilities	**89,759**	69,256
Deferred revenue (Note 5)	**314,032**	307,887
Employee benefits obligation (Note 6)	**3,692**	5,818
Long-term debt (Note 7)	**138,473**	191,194
	545,956	574,155
NET FINANCIAL ASSETS	**3,044,576**	2,795,112
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	**8,189,731**	8,396,282
ACCUMULATED OPERATING SURPLUS (Schedule 1, Note 12)	**11,234,307**	11,191,394

Contingencies - Note 16

Approved on behalf of the Council

Hazel S Reintjes
Mayor
Hazel S. Reintjes.

Frank R. Arnella
Councilor
LEN RIMMER

The accompanying notes form part of these financial statements.

Village of Hines Creek

Statement of Operations

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
REVENUE			
Net municipal taxes (Schedule 3)	**524,088**	**440,074**	520,988
User fees and sales of goods	**331,181**	**313,087**	328,520
Government transfers for operating (Schedule 4)	**780,551**	**788,112**	715,690
Investment income	**120,000**	**93,469**	148,406
Penalties and costs of taxes	**26,600**	**30,112**	33,254
Total Revenue	**1,782,420**	**1,664,854**	1,746,858
EXPENSES			
General government			
Administration	**419,387**	**330,350**	413,441
Legislative	**48,400**	**45,472**	38,120
Protective services			
Ambulance and emergency measures	**15,000**	**-**	-
Bylaws enforcement	**55,483**	**42,475**	49,516
Transportation services			
Roads, streets, walks, lighting	**252,512**	**247,871**	254,860
Planning and development			
Land use planning, zoning and development	**94,324**	**87,099**	55,094
Recreation and culture			
Culture	**29,089**	**32,112**	35,705
Parks and recreation	**466,980**	**508,375**	462,758
Environmental services			
Water supply and distribution	**293,915**	**428,370**	562,466
Wastewater treatment and disposal	**52,490**	**138,473**	47,174
Waste management	**66,340**	**41,086**	59,711
Total Expenses	**1,793,920**	**1,901,683**	1,978,845
EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES BEFORE OTHER	**(11,500)**	**(236,829)**	(231,987)
OTHER			
Government transfers for capital (Schedule 4)	**-**	**279,742**	117,512
EXCESS OF REVENUE OVER EXPENSES	**(11,500)**	**42,913**	(114,475)
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR		**11,191,394**	11,305,869
ACCUMULATED OPERATING SURPLUS, END OF YEAR		**11,234,307**	11,191,394

Village of Hines Creek

Statement of Change in Net Financial Assets

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
EXCESS OF REVENUES OVER EXPENSES	**(11,500)**	**42,913**	(114,475)
Acquisition of tangible capital assets	**9,500**	**(181,608)**	(144,831)
Amortization of tangible capital assets	**-**	**388,159**	388,018
	9,500	**206,551**	243,187
INCREASE (DECREASE) IN NET ASSETS	**(2,000)**	**249,464**	128,712
NET FINANCIAL ASSETS , BEGINNING OF YEAR	**-**	**2,795,112**	2,666,400
NET FINANCIAL ASSETS, END OF YEAR	**-**	**3,044,576**	2,795,112

The accompanying notes form part of these financial statements.

Village of Hines Creek

Statement of Cash Flows

For the year ended December 31, 2025

	2025 $	2024 $
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	**42,913**	(114,475)
Non-cash items included in excess of revenue over expenses:		
Amortization of tangible capital assets	**388,159**	388,018
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in lieu receivable	**(3,990)**	37,308
Decrease (increase) in trade and other receivables	**(149,005)**	(243,192)
Increase (decrease) in accounts payable and accrued liabilities	**20,503**	7,168
Increase (decrease) in deferred revenue	**6,145**	262,261
Increase (decrease) in employee benefit obligations	**(2,126)**	1,981
Cash provided by operating transactions	**302,599**	339,069
CAPITAL		
Acquisition of tangible capital assets	**(181,608)**	(144,831)
Cash applied to capital transactions	**(181,608)**	(144,831)
INVESTING		
Decrease (increase) investments	**1,352**	(1,611)
Cash provided by investing	**1,352**	(1,611)
FINANCING		
Long-term debt repaid	**(52,721)**	(51,259)
Cash provided by (applied to) financing transactions	**(52,721)**	(51,259)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	**69,622**	141,368
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	**2,865,114**	2,723,746
CASH AND CASH EQUIVALENTS, END OF YEAR	**2,934,736**	2,865,114

Village of Hines Creek

Schedule of Changes in Accumulated Operating Surplus - Schedule 1

For the year ended December 31, 2025

	Unrestricted Surplus $	Internally Restricted Surplus $	Equity in Tangible Capital Assets $	2025 $	2024 Restated (Note 20) $
Balance, Beginning of Year, as originally stated	**1,566,089**	**1,465,843**	**8,205,088**	**11,237,020**	11,305,869
Prior period adjustment (Note 20)	**(45,626)**	**-**	**-**	**(45,626)**	-
Balance, Beginning of Year, as restated	**1,520,463**	**1,465,843**	**8,205,088**	**11,191,394**	11,305,869
Excess of revenue over expenses	**42,913**	**-**	**-**	**42,913**	(114,475)
Unrestricted funds designated for future use	**(102,000)**	**102,000**	**-**	**-**	-
Current year funds used for tangible capital assets	**(181,608)**	**-**	**181,608**	**-**	**-**
Annual amortization expenses	**388,159**	**-**	**(388,159)**	**-**	**-**
Long-term debt repaid	**(52,721)**	**-**	**52,721**	**-**	**-**
Change in accumulated surplus	**94,743**	**102,000**	**(153,830)**	**42,913**	(114,475)
Balance, End of Year	**1,615,206**	**1,567,843**	**8,051,258**	**11,234,307**	11,191,394

Village of Hines Creek

Schedule of Tangible Capital Assets - Schedule 2

For the year ended December 31, 2025

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	2025	2024
	$	$	$	$	$	$	$	$
COST:								
Balance, Beginning of Year	**55,605**	**561,846**	**2,046,098**	**13,888,954**	**1,273,019**	**112,745**	**17,938,267**	17,793,436
Acquisition of tangible capital assets	**6,857**	**70,922**	**44,234**	**40,149**	**19,446**	**-**	**181,608**	144,831
Balance, End of Year	**62,462**	**632,768**	**2,090,332**	**13,929,103**	**1,292,465**	**112,745**	**18,119,875**	17,938,267
ACCUMULATED AMORTIZATION:								
Balance, Beginning of Year	**-**	**402,925**	**1,362,124**	**6,837,763**	**865,335**	**73,838**	**9,541,985**	9,153,967
Annual amortization	**-**	**12,405**	**53,299**	**263,739**	**49,119**	**9,597**	**388,159**	388,018
Balance, End of Year	**-**	**415,330**	**1,415,423**	**7,101,502**	**914,454**	**83,435**	**9,930,144**	9,541,985
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	**62,462**	**217,438**	**674,909**	**6,827,601**	**378,011**	**29,310**	**8,189,731**	8,396,282
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	55,605	158,921	683,974	7,051,191	407,684	38,907		8,396,282

The accompanying notes form part of these financial statements.

Village of Hines Creek

Schedule of Property and Other Taxes - Schedule 3

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
TAXATION			
Real property taxes	**493,141**	**428,707**	497,868
Designated Industrial property tax	**68**	**68**	71
Government grants in place of property taxes	**100,000**	**80,419**	89,482
	593,209	**509,194**	587,421
REQUISITIONS			
Alberta School Foundation Fund	**56,981**	**56,980**	54,077
Seniors Foundation	**12,140**	**12,140**	12,356
	69,121	**69,120**	66,433
NET MUNICIPAL TAXES	**524,088**	**440,074**	520,988

Village of Hines Creek

Schedule of Government Transfers - Schedule 4

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
TRANSFERS FOR OPERATING			
Provincial Government	**156,772**	**156,772**	134,341
Local Government (Note 17)	**623,779**	**631,340**	581,349
	780,551	**788,112**	715,690
TRANSFERS FOR CAPITAL			
Provincial Government	**-**	**279,742**	117,512
TOTAL GOVERNMENT TRANSFERS	**780,551**	**1,067,854**	833,202

Village of Hines Creek

Schedule of Expenditures by Object - Schedule 5

For the year ended December 31, 2025

	2025 Budget (Unaudited) $	2025 Actual $	2024 Actual $
EXPENSES BY OBJECT			
Salaries, wages and benefits	**625,679**	**634,139**	551,212
Contracted and general services	**600,627**	**482,910**	577,471
Materials, goods, and utilities	**248,230**	**214,818**	204,624
Provision for allowance	**30,000**	**-**	-
Transfers to local boards and agencies	**229,969**	**175,320**	184,485
Bank charges and short-term interest	**1,650**	**1,293**	66,529
Interest on long-term debt	**57,765**	**5,044**	6,506
Amortization of tangible capital assets	**-**	**388,159**	388,018
TOTAL EXPENSES	**1,793,920**	**1,901,683**	1,978,845

Village of Hines Creek

Schedule of Segmented Disclosure - Schedule 6

For the year ended December 31, 2025

	General Government $	Protective Services $	Transportation Services $	Planning & Development $	Recreation & Culture $	Environmental Services $	2025 $
REVENUE							
Net municipal taxes	**440,074**	**-**	**-**	**-**	**-**	**-**	**440,074**
Operating government transfers	**-**	**-**	**-**	**-**	**317,654**	**470,458**	**788,112**
User fees and sales of goods	**3,322**	**-**	**380**	**4,600**	**75,789**	**228,996**	**313,087**
Investment income	**93,469**	**-**	**-**	**-**	**-**	**-**	**93,469**
Penalties and costs of taxes	**28,910**	**1,202**	**-**	**-**	**-**	**-**	**30,112**
	565,775	**1,202**	**380**	**4,600**	**393,443**	**699,454**	**1,664,854**
EXPENSES							
Bank charges and interest	**1,293**	**-**	**-**	**-**	**-**	**-**	**1,293**
Interest on long-term debt	**-**	**-**	**5,044**	**-**	**-**	**-**	**5,044**
Contracted and general services	**90,399**	**2,486**	**39,005**	**2,406**	**171,597**	**177,017**	**482,910**
Materials, goods and utilities	**23,877**	**9,723**	**56,448**	**-**	**33,673**	**91,097**	**214,818**
Salaries, wages and benefits	**231,286**	**28,566**	**60,746**	**84,693**	**125,012**	**103,836**	**634,139**
Transfers to local boards and agencies	**-**	**-**	**-**	**-**	**152,289**	**23,031**	**175,320**
Balance, End of Year	**346,855**	**40,775**	**161,243**	**87,099**	**482,571**	**394,981**	**1,513,524**
NET REVENUE, BEFORE AMORTIZATION AND OTHER	**218,920**	**(39,573)**	**(160,863)**	**(82,499)**	**(89,128)**	**304,473**	**151,330**
Capital government transfers	**-**	**-**	**69,205**	**-**	**97,529**	**113,008**	**279,742**
Amortization	**(28,967)**	**(1,700)**	**(86,628)**	**-**	**(57,916)**	**(212,948)**	**(388,159)**
NET REVENUE	**189,953**	**(41,273)**	**(178,286)**	**(82,499)**	**(49,515)**	**204,533**	**42,913**

DESCRIPTION OF OPERATIONS

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

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

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

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

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 record revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

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

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

(c) Use of Estimates

The preparation of financial statements in conformity with Canadian Accounting Standards for Public Sector Accounting Board requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Valuation of Financial Assets and Liabilities

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

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

(e) Cash and Temporary Investments

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

(f) Investments

Investments in derivatives and equity instruments quoted in an active market are carried at fair value with transactions costs expensed upon initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses. When the investment is disposed of the accumulated gains or losses are reclassified to the statement of operations.

Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective instruments. 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) Long-Term Debt

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

(h) 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.

(i) 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.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(j) Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

(k) Revenue Recognition

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

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the 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.

(l) Government Transfers

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

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

(m) Non-Financial Assets

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

i) Tangible Capital Assets

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

	Years
Land Improvements	15-20
Buildings	25-50
Engineered structures	10-75
Machinery and equipment	5-20
Vehicles	3-20

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

ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value when the amount can reasonably be determined and would have been purchased by the Village, if not contributed, at the date of receipt and also are recorded as revenue.

1. SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Non-Financial Assets - continued

iii) Leases

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

(n) 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 investing earnings monthly.

2. CASH AND TEMPORARY INVESTMENTS

	2025 $	**2024** $
Bank account - operating	**553,339**	184,476
Bank account - sale of tax properties	**85,347**	82,818
Temporary investments	**2,296,050**	2,597,820
	2,934,736	2,865,114

Council has designated funds of $1,523,708 (2024 - $1,523,708) for operating and capital reserves. See Note 12 for details.

The operating bank account earns interest at different rates depending on the balance in the account. At year end the balance in the account earned interest at 4.2%.

Temporary investments are deposits in a notice on amount 31-90 days with interest at 4.1% - 4.2%

3. RECEIVABLES

	2025 $	**2024** $
i) Taxes and grants in place of taxes		
Current taxes and grants in place of taxes	**57,891**	79,524
Arrears taxes	**74,691**	49,068
Less: allowance for doubtful accounts	**(65,225)**	(65,225)
	67,357	63,367

Note there is an operating reserve set-up for doubtful accounts. See Note 12 Accumulated Surplus under operating reserves for the amount.

3. RECEIVABLES - continued

ii) Trade and other receivables

	2025 $	2024 $
Goods and services tax receivable	**31,541**	16,972
Government receivable	**437,659**	321,725
Trade and other receivables	**51,828**	33,326
	521,028	372,023

4. INVESTMENTS

	2025 $	2024 $
ATB - Guaranteed Investment Certificate (GIC) - at cost	**32,775**	34,127
United Farmers of Alberta Co-operative Ltd. - at cost	**2,261**	2,261
Alberta Municipal Financing Corporation Shares - at cost	**10**	10
Alberta Association of Municipal Districts and Counties - at cost	**85**	85
	35,131	36,483

The ATB GIC has an interest rate of 4.95% with a maturity date of August 21, 2026 and is restricted for the purpose of assisting future major repairs on the ice plant or related systems.

5. DEFERRED REVENUE

	Opening $	Received $	Recognized $	2025 $	2024 $
Canada Community Building Fund	**115,142**	**70,347**	**(45,149)**	**140,340**	115,142
Local Government Fiscal Framework - Capital	**134,697**	**268,588**	**(229,593)**	**173,692**	134,697
Small Community Opportunity Program	**58,048**	**-**	**(58,048)**	**-**	58,048
	307,887	**338,935**	**(332,790)**	**314,032**	307,887

Local Government Fiscal Framework (LGFF)

Funding in the amount of $367,657 was received in the current year from the Local Government Fiscal Framework (LGFF). Of the $367,657 received, $268,933 was from the capital component of the program and is restricted to eligible capital projects, as approved under the funding agreement. The remaining $98,724 is from the operating component of the program and is restricted to eligible operating projects, as approved under the funding agreement.

Unexpensed funds related to these advances are supported by cash and temporary investments held exclusively for these projects (refer to Note 2).

6. EMPLOYEE BENEFITS OBLIGATIONS

	2025 $	2024 $
Vacation and overtime	**3,692**	5,818

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.

7. LONG-TERM DEBT

	2025 $	2024 $
Alberta Capital Finance Authority - 4002400	**138,473**	191,194
Less: Current portion	**(54,244)**	(52,721)
Long-term portion	**84,229**	138,473

The current portion of long-term debt amounts to $54,244 (2024 - $52,721).

Principal and interest payments are as follows:

	Principal $	Interest $	Total $
2026	**54,244**	**3,540**	57,784
2027	**55,771**	**1,994**	57,765
2028	**28,458**	**403**	28,861
	138,473	**5,937**	144,410

The debenture 4002400 is repayable to the Alberta Capital Finance Authority and bears interest at a rate of 2.832% per annum and matures June 15, 2028 repayable over a 10 year period in semi-annual installments of $28,882 (starting December 15, 2018).

The Village issued by-law 572-17 pursuant to Section 258 of the Municipal Government Act to authorize the financing, undertaking and completion of the street improvement project.

Debenture debt is issued on the credit and security of the Village at large.

Interest on long-term debt amounted to $5,044 (2024 - $6,506).

8. MUNICIPAL REVOLVING LINE OF CREDIT

The Village passed by-law authorizing the Mayor and Chief Administrative Officer to arranged with the Alberta Treasury Financial (ATB) an Independent Business Loan - Revolving up to $155,000. The limit with ATB at December 31, 2025 was $155,000. Interest will be calculated from the date or dates funds are advanced on the daily outstanding principal at ATB's Prime rate plus 1% and will be payable on the last day of each month. This credit facility will expire and all outstanding amounts under it will be payable in full on demand by the ATB. The balance outstanding at December 31, 2025 - $0 (2024 - $0).

9. DEBT LIMIT

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Village of Hines Creek be disclosed as follow:

	2025 $	2024 $
Total Debt Limit	**2,497,281**	2,620,288
Total Debt	**138,473**	191,194
Amount of debt limit unused	**2,358,808**	2,429,094
Debt Service Limit	**416,214**	436,716
Debt Service	**57,784**	57,765
Amount of debt service limit unused	**358,430**	378,951

The debt limit is calculated at 1.5 times revenue of the municipality excluding transfers from the governments of Alberta and Canada for the purposes of capital property (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

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

10. TANGIBLE CAPITAL ASSETS

	2025 $	2024 $
Net Book Value		
Land	**62,462**	55,605
Land improvements	**217,438**	158,921
Buildings	**674,909**	683,974
Engineering structures	**6,827,601**	7,051,191
Machinery and equipment	**378,011**	407,684
Vehicles	**29,310**	38,907
	8,189,731	8,396,282

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	2025 $	2024 $
Tangible capital assets (Schedule 2)	**18,119,875**	17,938,267
Accumulated amortization (Schedule 2)	**(9,930,144)**	(9,541,985)
Long-term debt (Note 7)	**(138,473)**	(191,194)
	8,051,258	8,205,088

12. ACCUMULATED OPERATING SURPLUS

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

	2025 $	2024 $
Unrestricted surplus	**1,615,207**	1,520,464
Internally restricted surplus		
Operating reserves		
Contingency fund	**580,401**	580,401
Doubtful accounts	**85,207**	55,207
Property Clean-up	**100,000**	100,000
Rate stabilization	**240,000**	240,000
Capital reserves		
Arena	**101,039**	101,039
Drainage	**17,937**	17,937
General Administration	**47,873**	47,873
Roads and Streets - Equipment	**125,598**	115,598
Recreation and Community Services	**5,000**	-
Sewer Project	**55,610**	55,610
Street Light Project	**53,989**	53,989
Water Treatment Plant	**155,188**	98,188
Equity in Tangible Capital Assets (Note 11)	**8,051,258**	8,205,088
	11,234,307	11,191,394

13. SEGMENTED DISCLOSURE

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

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

General government includes administration and legislative. Protective services include bylaw enforcement. Transportation services includes roads, streets, walks, and lighting. Planning and development includes land use planning, zoning and development. Recreation and culture includes culture, and parks and recreation. Environmental services includes water supply and distribution, wastewater treatment and disposal, and waste management.

14. SALARY AND BENEFITS DISCLOSURE

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

	2025			2024
	Salary (1) $	Benefits & Allowances (2) $	Total $	Total $
Mayor				
Hazel Reintjes	**11,165**	**-**	**11,165**	8,944
Deputy Mayor				
Len Rimmer	**13,585**	**-**	**13,585**	14,342
Councilors				
Frank Armella	**2,530**	**-**	**2,530**	-
Alison Bjornson	**7,810**	**-**	**7,810**	9,826
Chief Administrative Officer				
Wendy Wildman	**27,838**	**-**	**27,838**	-
Leanne Walmsley	**68,822**	**261**	**69,083**	75,361
Designated Officers (3)	**19,143**	**-**	**19,143**	-

(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.

15. FINANCIAL INSTRUMENTS

Credit Risk

The Village of Hines Creek 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 taxpayer and entities to which the Village of Hines Creek 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.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate. The Village of Hines Creek is exposed to interest rate risk on its bank account balances and any of its fixed and/or floating interest rate financial instruments.

Liquidity Risk

Liquidity risk is the risk that the Village of Hines Creek will encounter difficulty in meeting its obligations associated with financial liabilities. The Village of Hines Creek manages its liquidity risk by monitoring its operating requirements and cash forecasts to ensure it has sufficient funds to fulfil its financial obligations.

16. CONTINGENCIES

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

17. FUNDING FROM CLEARHILLS COUNTY

	2025 $	2024 $
Unconditional grant	**371,734**	370,194
Recreation board	**164,606**	131,154
	536,340	501,348

The recreational board provided grants to the Village of Hines Creek during the year of $85,000 (2024 - $65,000) and the Hines Creek Fitness Centre $10,000 (2024 - $10,000).

18. BUDGET FIGURES

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

19. COMPARATIVE FIGURES

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

20. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to correct the amount of deferred revenue in the CCBF program in 2024.

The result of this prior period adjustment reduced the unrestricted surplus by $45,626, and increased the amount of deferred revenue by $45,626.

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.