

CLEARWATER COUNTY
Consolidated Financial Statements
For the Year Ended December 31, 2025

INDEPENDENT AUDITORS' REPORT

To the Reeve and Council of Clearwater County

Opinion

We have audited the accompanying consolidated financial statements of Clearwater County (the County), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the County as at December 31, 2025, the consolidated 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the County in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Report to the Reeve and Council of Clearwater County (*continued*)

In preparing the consolidated financial statements, management is responsible for assessing the County'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 County or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 County'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 County's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the County to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 28, 2026

**MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING**

To the Reeve and Members of Council of Clearwater County

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.


The consolidated financial statements are the responsibility of management, prepared in accordance with Canadian public sector accounting standards. They necessarily include some amounts that are based on the best estimates and judgments of management.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of consolidated financial statements.

Metrix Group LLP, Chartered Professional Accountants, have been appointed by County Council to express an opinion on the County's consolidated financial statements.



Rick Emmons
Chief Administrative Officer



Murray Hagan, B.Comm, CPA, CA
Chief Financial Officer

CLEARWATER COUNTY
Consolidated Statement of Financial Position
As at December 31, 2025

	2025
FINANCIAL ASSETS	
Cash and cash equivalents <i>(Note 2)</i>	\$ 44,960,152
Accounts receivable <i>(Note 3)</i>	27,831,721
Land held for resale	8,638,535
Investments <i>(Note 4)</i>	<u>36,677,072</u>
	<u>118,107,480</u>
LIABILITIES	
Accounts payable and accrued liabilities <i>(Note 5)</i>	10,686,562
Deferred revenue <i>(Note 6)</i>	11,611,824
Long-term debt <i>(Note 7)</i>	21,807
Asset retirement obligations <i>(Note 8)</i>	<u>9,754,363</u>
	<u>32,074,556</u>
NET FINANCIAL ASSETS	<u>86,032,924</u>
NON-FINANCIAL ASSETS	
Tangible capital assets <i>(Note 9)</i>	428,985,303
Inventories for consumption <i>(Note 10)</i>	5,011,079
Prepaid expenses	<u>1,322,867</u>
	<u>435,319,249</u>
ACCUMULATED SURPLUS <i>(Schedule 1)</i>	<u>\$ 521,352,173</u>

ON BEHALF OF COUNCIL:





CLEARWATER COUNTY
Consolidated Statement of Operations and Accumulated Surplus
For the Year Ended December 31, 2025

	2025 (Budget) (Note 19)	2025 (Actual)
REVENUE		
Net municipal taxes (Schedule 2)	\$ 64,247,447	\$ 64,570,183
User fees and sale of goods	3,413,425	4,265,627
Investment income	1,975,000	2,715,370
Government transfers for operating (Schedule 3)	2,662,943	2,600,965
Other	966,199	797,968
Penalties on taxes	357,000	576,459
Cash in lieu of land	-	366,147
Rentals	208,900	230,358
Fines	227,200	203,847
Licenses and permits	73,500	169,512
Franchise fees	150,000	129,434
	<u>74,281,614</u>	<u>76,625,870</u>
EXPENSES		
Legislative	1,950,558	1,290,468
Administration	9,680,728	8,950,796
Assessment	473,953	455,142
Fire, ambulance, and protective services	7,341,382	6,983,423
Public works - general	1,560,076	1,754,567
Roads, streets, walks and lighting	15,209,027	16,176,640
Facilities	1,979,331	1,613,092
Water supply and distribution	272,164	267,037
Wastewater treatment and disposal	1,387,158	985,522
Waste management	3,690,580	3,615,864
Airport	164,411	150,877
Family and community support services	1,891,500	1,498,487
Agricultural services	3,579,673	3,352,699
Land use planning, zoning and development	4,188,400	3,694,204
Parks and recreation	3,432,505	2,483,828
Culture	450,396	483,770
Amortization	-	22,046,058
	<u>57,251,842</u>	<u>75,802,474</u>
ANNUAL SURPLUS BEFORE OTHER REVENUE (EXPENSES)	<u>17,029,772</u>	<u>823,396</u>
OTHER REVENUE (EXPENSES)		
Amalgamation (Note 20)	-	503,102,870
Government transfers for capital (Schedule 3)	36,572,685	19,113,570
Loss on disposal of tangible capital assets	-	(1,687,663)
	<u>36,572,685</u>	<u>520,528,777</u>
ANNUAL SURPLUS	53,602,457	521,352,173
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 53,602,457</u>	<u>\$ 521,352,173</u>

CLEARWATER COUNTY
Consolidated Statement of Changes in Net Financial Assets
For the Year Ended December 31, 2025

	2025 (Budget) (Note 19)	2025 (Actual)
ANNUAL SURPLUS	\$ 53,602,457	\$521,352,173
Purchase of tangible capital assets	(84,970,031)	(56,593,529)
Tangible capital assets on amalgamation (Note 20)	-	(399,953,998)
Tangible capital assets transferred to land held or resale	-	3,641,707
Proceeds on disposal of tangible capital assets	132,000	186,796
Amortization of tangible capital assets	-	22,046,058
Loss on disposal of tangible capital assets	-	1,687,663
	<u>(84,838,031)</u>	<u>428,985,303</u>
Inventory for consumption on amalgamation (Note 20)	-	(5,303,675)
Use of supplies inventory	-	292,596
Prepaid expenses on amalgamation (Note 20)	-	(1,130,602)
Acquisition of prepaid expenses	-	(192,265)
	<u>-</u>	<u>(6,333,946)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(31,235,574)	86,032,924
NET FINANCIAL ASSETS, END OF YEAR	\$ (31,235,574)	\$ 86,032,924

CLEARWATER COUNTY
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2025

	2025
OPERATING ACTIVITIES	
Annual surplus	\$521,352,173
Non-cash items included in annual surplus	
Loss on disposal of tangible capital assets	1,687,663
Amalgamation (<i>Note 20</i>)	(503,102,870)
Amortization of tangible capital assets	22,046,058
Tangible capital assets transferred to land held or resale	3,641,707
Asset retirement obligations	934,423
	45,624,731
Changes in non-cash working capital balances:	
Accounts receivable	(19,622,136)
Land held for resale	(2,601,808)
Accounts payable and accrued liabilities	3,187,250
Deferred revenue	3,542,973
Inventories for consumption	292,596
Prepaid expenses	(192,265)
	31,165,764
CAPITAL ACTIVITIES	
Purchase of tangible capital assets	(56,593,529)
Proceeds on disposal of tangible capital assets	186,796
	(56,406,733)
FINANCING ACTIVITIES	
Long-term debt principal repayments	(266,349)
	(266,349)
INVESTING ACTIVITIES	
Proceeds on sale of investments	13,355,478
	13,355,478
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(12,151,840)
CASH AND CASH EQUIVALENTS ON AMALGAMATION (<i>NOTE 20</i>)	57,111,992
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 44,960,152

CLEARWATER COUNTY
Consolidated Schedule of Changes in Accumulated Surplus
For the Year Ended December 31, 2025

Schedule 1

	Unrestricted Surplus	Restricted Surplus (Note 11)	Equity in Tangible Capital Assets	2025
BALANCE, BEGINNING OF YEAR				
Annual surplus	\$ 521,352,173	\$ -	\$ -	\$ 521,352,173
Amalgamation (Note 20)	(502,527,037)	111,457,800	391,069,237	-
Unrestricted funds designated for future use	(23,372,837)	23,372,837	-	-
Accretion of asset retirement obligations (Note 8)	934,423	-	(934,423)	-
Current year funds used for tangible capital assets	(23,905,932)	-	23,905,932	-
Tangible capital assets transferred to land held or resale	3,641,707	-	(3,641,707)	-
Restricted surplus used for tangible capital assets	-	(32,687,597)	32,687,597	-
Net book value of tangible capital assets disposed of	1,874,459	-	(1,874,459)	-
Amortization	22,046,058	-	(22,046,058)	-
Long-term capital debt repaid	(43,014)	-	43,014	-
BALANCE, END OF YEAR	\$ -	\$ 102,143,040	\$ 419,209,133	\$ 521,352,173

CLEARWATER COUNTY
Consolidated Schedule of Property and Other Taxes
For the Year Ended December 31, 2025

Schedule 2

	2025 (Budget) (Note 19)	2025 (Actual)
TAXATION		
Real property taxes	\$ 50,556,174	\$ 50,504,001
Linear property taxes	37,764,502	37,765,228
	<u>88,320,676</u>	<u>88,269,229</u>
Less revenue sharing:		
County of Wetaskiwin	<u>675,000</u>	<u>810,837</u>
Taxes after revenue sharing	<u>87,645,676</u>	<u>87,458,392</u>
REQUISITIONS		
Alberta School Foundation Fund	20,992,190	20,482,196
Westview Lodge	1,305,409	1,305,409
Red Deer Catholic Regional Division No. 39	620,178	620,178
Designated industrial property assessment	<u>480,452</u>	<u>480,426</u>
	<u>23,398,229</u>	<u>22,888,209</u>
NET MUNICIPAL TAXES	<u>\$ 64,247,447</u>	<u>\$ 64,570,183</u>

CLEARWATER COUNTY
Consolidated Schedule of Government Transfers
For the Year Ended December 31, 2025

Schedule 3

	2025 (Budget) (Note 19)	2025 (Actual)
TRANSFERS FOR OPERATING		
Provincial government	\$ 1,792,378	\$ 1,891,208
Local governments	870,565	709,757
	<u>2,662,943</u>	<u>2,600,965</u>
TRANSFERS FOR CAPITAL		
Provincial government	21,911,415	11,313,077
Federal government	14,348,915	7,503,757
Local governments	312,355	296,736
	<u>36,572,685</u>	<u>19,113,570</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 39,235,628</u>	<u>\$ 21,714,535</u>

CLEARWATER COUNTY
Consolidated Schedule of Segmented Information
For the Year Ended December 31, 2025

Schedule 4

	General Government	Community Services	Emergency & Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environmental Services	Agricultural Services	Total
REVENUE									
Net municipal taxes	\$ 64,570,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,570,183
User fees and sales of goods	15,922	-	356,082	387,316	1,239,958	20,007	1,580,004	666,338	4,265,627
Investment income	2,715,370	-	-	-	-	-	-	-	2,715,370
Government transfers	701,372	-	1,350,718	69,460	147,174	-	69,739	262,502	2,600,965
All other	1,034,660	-	502,070	363,174	543,007	3,500	-	27,314	2,473,725
	<u>69,037,507</u>	<u>-</u>	<u>2,208,870</u>	<u>819,950</u>	<u>1,930,139</u>	<u>23,507</u>	<u>1,649,743</u>	<u>956,154</u>	<u>76,625,870</u>
EXPENSES									
Salaries, wages and benefits	5,043,545	204,920	3,156,045	5,616,240	1,543,315	3,555	1,985,703	1,802,296	19,355,619
Contract and general services	4,332,144	92,221	1,321,129	5,801,802	2,051,755	188,371	1,358,722	674,668	15,820,812
Transfers to individuals/organizations	-	1,193,507	1,923,073	4,100,000	28,479	540,742	-	-	7,785,801
Materials, goods and supplies	393,958	4,501	583,175	4,001,630	70,655	10,526	168,442	718,703	5,951,590
Transfers to other governments	396,104	150,877	-	-	-	2,224,404	445,760	35,227	3,252,372
Bad debts	517,316	-	-	-	-	-	-	-	517,316
Other expenses	12,332	-	-	-	-	-	-	121,806	134,138
Interest on long-term debt	1,007	3,338	-	-	-	-	-	-	4,345
Accretion expense	-	-	-	24,627	-	-	909,796	-	934,423
	<u>10,696,406</u>	<u>1,649,364</u>	<u>6,983,422</u>	<u>19,544,299</u>	<u>3,694,204</u>	<u>2,967,598</u>	<u>4,868,423</u>	<u>3,352,700</u>	<u>53,756,416</u>
NET REVENUE (DEFICIT)									
BEFORE AMORTIZATION	58,341,101	(1,649,364)	(4,774,552)	(18,724,349)	(1,764,065)	(2,944,091)	(3,218,680)	(2,396,546)	22,869,454
Amortization	724,485	19,322	674,407	18,566,019	92,199	203,114	1,489,096	277,416	22,046,058
NET REVENUE (DEFICIT)	<u>\$ 57,616,616</u>	<u>\$ (1,668,686)</u>	<u>\$ (5,448,959)</u>	<u>\$ (37,290,368)</u>	<u>\$ (1,856,264)</u>	<u>\$ (3,147,205)</u>	<u>\$ (4,707,776)</u>	<u>\$ (2,673,962)</u>	<u>\$ 823,396</u>

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

Clearwater County (the "County") is a municipality in the Province of Alberta, Canada and operates under the provisions of the *Municipal Government Act*, R.S.A., 2000, c. M-26, as amended.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are the representations of the County management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the County are as follows:

(a) Reporting Entity

These consolidated financial statements include the assets, liabilities, non-financial assets, revenues, expenses and accumulated surplus of the County which comprises all the organizations that are owned or controlled by the County and are, therefore, accountable to the County for the administration of their financial affairs and resources.

Rocky Mountain House Airport Commission	50.0%
Clearwater Regional Fire Rescue Services	77.0%

The County accounts for government partnerships using the proportionate consolidation method. Under this method, the County's proportionate share of assets, liabilities, non-financial assets, revenues, expenses and accumulated surplus are included in the consolidated financial statements.

The schedule of taxes levied includes requisitions for education and senior foundations that are not part of the municipal reporting entity.

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

(b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

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

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

The County has used estimates to determine an allowance for doubtful accounts, asset retirement obligations and the useful lives of tangible capital assets.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Valuation of financial assets and liabilities

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

Cash and cash equivalents	Cost and amortized cost
Accounts receivables	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost
Deposit liabilities	Cost
Asset retirement obligations	Present value
Long-term debt	Amortized cost

For financial assets and liabilities measured at amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial assets and liabilities that are measured at cost or amortized cost and expensed when measured at fair value.

(e) *Cash and Cash Equivalents*

Cash and temporary investments include items that are readily convertible to known amounts of cash, are subject to an insignificant risk of change in value, and have a maturity of 90 days or less at acquisition.

(f) *Investments*

Investments in interest bearing securities are recorded at amortized cost. Investment premiums and discounts are amortized on 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. Investment income is recorded as revenue in the period it is earned.

(g) *Land Held for Resale*

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and 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 their respective function.

(h) *Requisition Over-levy and Under-levy*

Over-levies and under-levies arise from the difference between the actual school tax originally levied on behalf of the province and the levy after all adjustments have been processed throughout the year. If the difference is an over-levy or over-collection, the overage is accrued as a liability and property tax revenue is reduced in the following year. If the difference is an under-levy or under-collection, the underage is accrued as a receivable and reflected as property tax revenue in the following year.

(i) *Tax Revenue*

Property tax revenue is based on assessed value determined in accordance with the *Municipal Government Act*. Tax rates are established annually. Taxation revenues are recorded at the time tax notices are issued. Assessments are subject to appeal.

Construction and borrowing costs associated with local improvement projects are recovered through annual special property tax assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the County and are recognized as revenue in the year they are levied.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Pensions

The County participates in two multi-employer defined benefit pension plans. Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due. See *Note 14* for details of these pension plans.

(k) Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible capital assets. Asset retirement activities include all activities relating to an asset retirement obligation including, but not limited to, decommissioning or dismantling, remediation of contamination, post-retirement activities such as monitoring, and constructing other tangible capital assets to perform post-retirement activities.

A liability for asset retirement obligation is recognized when there is a legal obligation to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made.

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 value 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.

(l) Contaminated Sites

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 a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 their estimated useful lives as follows:

Buildings	10 - 50 years
Engineered structures	
Roadway systems	3- 80 years
Water systems	45 - 75 years
Wastewater systems	34 - 75 years
Cell development	10 - 15 years
Machinery and equipment	5 - 40 years
Vehicles	10 - 25 years

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

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

Works of art for display are not recorded as tangible capital assets but are disclosed.

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

ii) Inventories for Consumption

Inventories held for consumption are valued at the lower of cost and net realizable value with cost determined by the average cost method for gravel and sign inventory and the first-in first-out method for shop inventory.

(n) New Accounting Standards not yet Adopted

The following standards are effective for fiscal years beginning on or after April 1, 2026.

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

A new presentation standard, PS 1202, will be adopted at the same time that includes changes to the presentation of the statements of financial position, net financial assets or net debt, net assets, including a reconciliation of each component of net assets, and cash flows.

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

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

2. CASH AND CASH EQUIVALENTS

	<u>2025</u>
Savings accounts	\$ 38,336,753
Operating accounts	5,971,452
Notice on amount accounts	651,447
Cash on hand	<u>500</u>
	<u>\$ 44,960,152</u>

The above amounts include grant funding of \$11,611,824 which is externally restricted per *Note 6*.

3. ACCOUNTS RECEIVABLE

	<u>2025</u>
Trade and other	\$ 23,736,345
Taxes and grants in place of taxes	3,830,178
Goods and Services Tax	<u>1,705,562</u>
	29,272,085
Less: Allowance for doubtful accounts	<u>(1,440,364)</u>
	<u>\$ 27,831,721</u>

The aging of receivables that are not impaired is as follows:

	<u>2025</u>
Current	\$ 23,272,052
1 year	3,680,905
2 years	771,957
3 years	106,807
Over 3 years	<u>-</u>
	<u>\$ 27,831,721</u>

4. INVESTMENTS

	<u>2025</u>
Government and corporate bonds	\$ 36,669,572
Rocky Mountain House Co-op Association Limited	<u>7,500</u>
	<u>\$ 36,677,072</u>

The stated coupon interest rates on government and corporate bonds range between 1.59% - 5.43% per annum, maturing at dates ranging between 2026 - 2035. The market value of the government and corporate bonds at December 31, 2025 was \$36,150,577.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2025</u>
Trade payables and accrued liabilities	\$ 9,166,006
Accrued wages and benefits	1,500,156
Deposits	<u>20,400</u>
	<u>\$ 10,686,562</u>

6. DEFERRED REVENUE

Deferred revenue is comprised of the following amounts which have been received from third parties for specified purposes. Additions are comprised of both contributions and interest earned during the year. These amounts are recognized as revenue in the period in which the related costs are incurred.

	<u>2024</u>		<u>Revenue</u>		<u>2025</u>
	<u>(Note 20)</u>	<u>Additions</u>	<u>Recognized</u>		
Local Government Funding Framework	\$ 3,071,693	\$ 3,498,921	\$ (600,000)		\$ 5,970,614
Strategic Transportation Infrastructure Program	820,000	1,049,508	(164,920)		1,704,588
Alberta Community Partnership	31,169	1,925,088	(360,431)		1,595,826
Canada Community-Building Fund	1,718,004	854,990	(1,400,000)		1,172,994
Other	547,148	790,402	(646,103)		691,447
Alberta Environment and Parks - Watercourse Crossing Remediation Program	392,269	15,691	-		407,960
Municipal Sustainability Initiative	1,488,568	182	(1,420,355)		68,395
	<u>\$ 8,068,851</u>	<u>\$ 8,134,782</u>	<u>\$ (4,591,809)</u>		<u>\$ 11,611,824</u>

7. LONG-TERM DEBT

	<u>2025</u>
Government of Alberta debenture repayable in semi-annual installments of \$22,010 including interest at a fixed rate of 1.86% maturing in 2026.	<u>\$ 21,807</u>

8. ASSET RETIREMENT OBLIGATIONS

Landfill

The County operates a landfill site and is legally required to perform closure and post-closure activities upon retirement of this site. Closure and post-closure activities include the final clay cover, landscaping, as well as surface and ground water monitoring, leachate control, and visual inspection. A liability for the total obligation, which was incurred when the site started accepting waste, irrespective of volume of waste accepted has been accrued. The County's undiscounted future cash flows expected are a closure cost in year 2033 of \$4,979,401 with annual post-closure activities starting in year 2036 of \$315,844 increasing at an annual inflation rate of 2.31%, for 25 years to year 2061. The estimated total liability is based on the sum of discounted future cash flows for closure and post-closure activities using a discount rate of 4.91%. The County has not designated assets for settling closure and post-closure liabilities.

Buildings

The County has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the County to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or being demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the County to remove the materials when the asset retirement activities occur. The total County's undiscounted future cash flows expected on buildings is \$389,667 to be realized between 2034 and 2058. The estimated liability is based on the sum of discounted future cash flows using a discount rate of 4.91% and inflation rate of 2.3%. The County has not designated assets for settling these liabilities.

Wells

The County has three wells which will require decommissioning at the end of their useful lives to comply with regulations. The County recognized an obligation relating to the decommissioning of wells as estimated at December 31, 2025. The wells have an estimated useful life of 75 years. The related asset retirement costs are being amortized on a straight-line basis. The estimated total undiscounted future expenditures are \$40,524 which are to be incurred at the end of the assets' useful lives.

	<u>2025</u>
Balance, beginning of the year	\$ -
Liability assumed on amalgamation (<i>Note 20</i>)	8,819,940
Accretion expense	<u>934,423</u>
Balance, end of the year	<u>\$ 9,754,363</u>

Asset retirement obligations are comprised of the following:

	<u>2025</u>
Landfill	\$ 9,445,365
Buildings	285,624
Water wells	<u>23,374</u>
	<u>\$ 9,754,363</u>

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

9. TANGIBLE CAPITAL ASSETS

	2025 Net Book Value
Engineered structures	
Roadways and bridges	\$ 232,711,098
Wastewater systems	31,183,150
Water systems	6,162,592
All other	57,856,246
	327,913,086
Land and land improvements	46,396,530
Buildings	24,628,557
Machinery and equipment	24,591,127
Vehicles	5,456,003
	\$ 428,985,303

	Cost on Amalgamation (Note 20)	Additions	Disposals	Transfers	Cost End of Year
Engineered structures					
Roadways and bridges	\$ 686,711,980	\$ 3,100,863	\$ (5,126,340)	\$ 13,629,426	\$ 698,315,929
Water systems	7,739,741	992	-	-	7,740,733
Wastewater systems	35,561,154	-	-	-	35,561,154
All other	50,819,406	40,057,976	(4,584,628)	(13,685,021)	72,607,733
	780,832,281	43,159,831	(9,710,968)	(55,595)	814,225,549
Machinery and equipment	35,869,008	9,494,617	(868,075)	(1,049,933)	43,445,617
Vehicles	5,941,582	1,793,551	(346,134)	1,105,528	8,494,527
Buildings	30,789,901	274,312	-	-	31,064,213
Land	44,525,312	1,871,218	-	-	46,396,530
	\$ 897,958,084	\$ 56,593,529	\$ (10,925,177)	\$ -	\$ 943,626,436

	Accumulated Amortization on Amalgamation (Note 20)	Current Amortization	Disposals	Transfers	Accumulated Amortization End of Year
Engineered structures					
Roadways and bridges	\$ 453,541,398	\$ 16,547,367	\$ (4,483,934)	-	\$ 465,604,831
Water systems	1,412,209	165,932	-	-	1,578,141
Wastewater systems	3,946,923	431,081	-	-	4,378,004
All other	13,358,177	1,393,310	-	-	14,751,487
	472,258,707	18,537,690	(4,483,934)	-	486,312,463
Machinery, equipment, and furnishings	17,142,746	2,236,246	(605,007)	80,505	18,854,490
Vehicles	2,852,817	586,282	(320,070)	(80,505)	3,038,524
Buildings	5,749,816	685,840	-	-	6,435,656
	\$ 498,004,086	\$ 22,046,058	\$ (5,409,011)	\$ -	\$ 514,641,133

Construction of tangible capital assets in progress for 2025 totals \$71,440,778. These amounts are not being amortized. Total net book value of tangible capital assets assumed on amalgamation totals \$399,953,998 (Note 20).

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

10. INVENTORIES FOR CONSUMPTION

	<u>2025</u>
Gravel	\$ 3,895,541
Parts, chemicals, and other	<u>1,115,538</u>
	<u>\$ 5,011,079</u>

11. RESTRICTED SURPLUS

	<u>2025</u>
Administration facilities	\$ 15,866,859
Bridge reconstruction	14,711,236
Broadband	10,341,769
Resource roads	8,000,000
Gravel reclamation	6,753,873
Public works paved infrastructure	6,553,818
Caroline	6,236,496
Vehicles and equipment	5,855,447
Nordegg development - municipal funded	5,247,149
Core infrastructure	4,988,406
Gravel stores	4,407,553
Transfer station	3,819,504
West country roads	2,955,723
Waste capital	2,951,482
Fire capital	2,150,453
Wastewater general	1,633,377
Land development outside Nordegg	1,538,586
Work in progress	1,469,391
Fire training	1,377,167
Emergency preparedness	1,283,010
Municipal, recreation, and school	861,917
Airport	804,689
Fire facility	602,393
Leslieville Sewer	336,237
Revenue stabilization	97,132
NSRP & trail systems	78,218
GIS - air photos	70,000
Nordegg development	<u>(8,848,845)</u>
	<u>\$102,143,040</u>

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

12. CREDIT FACILITY

The County has a demand revolving operating credit facility to a maximum of \$4,850,000 bearing interest at prime plus 1.00% per annum. The credit facility was not drawn upon as of December 31, 2025.

13. CONTINGENCIES

(a) Friends of the Corridor Schools

Wild Rose School Division has replaced existing schools in Leslieville and Condor. To augment the essential infrastructure, the Friends of the Corridor Schools, a committee of people working to upgrade schools and educational facilities in the community, was formed (the "Group") and has embarked on a fundraising campaign. In 2019, Clearwater County Council committed to match total funds raised by the Group. As of reporting date of these 2025 financial statements, the Group has raised \$84,095. In 2020, Clearwater County Council made an additional commitment to a minimum of \$200,000 for project upgrades to increase functionality within the new schools. As of the reporting date of their financial statements, Clearwater County has paid \$200,000 to the Wild Rose School Division.

(b) Lawsuits

The County is a defendant in various lawsuits. Where the outcome of a claim against the County is considered likely to result in a loss and the amount of the loss can be reasonably estimated, accrued liabilities have been recorded. Where the resulting potential losses, if any, cannot be determined or the occurrence of future events is unknown, accrued liabilities have not been established.

14. PENSION PLANS

(a) Local Authorities Pension Plan

Employees of the County 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 investment earnings of the LAPP Fund.

The County is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on pensionable earnings above this amount. Employees of the County are required to make current service contributions of 7.45% of pensionable earnings up to the year's maximum pensionable earnings and 10.65% on pensionable earnings above this amount.

Total current service contributions by the County to the LAPP in 2025 were \$1,151,033. Total current service contributions by the employees of the County to the LAPP in 2025 were \$1,017,139.

At December 31, 2024 the Plan disclosed an actuarial surplus of \$19.557 billion.

(b) Alberta Urban Municipalities Association Apex Supplementary Pension Plan

Certain employees of the County are eligible to participate in the Alberta Urban Municipalities Association Apex Supplementary Pension Plan (APEX), a multi-employer pension plan. This plan provides defined pension benefits to employees based on their length of service and rate of pay.

Contributions by the County to APEX in 2025 were \$5,560. Contributions by the employees of the County to APEX in 2025 were \$4,546.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

15. REMUNERATION AND BENEFITS DISCLOSURE

Disclosure of remuneration and benefits for elected municipal officials, the Chief Administrative Officer and designated officers as required by Alberta Regulation 313/2000 is as follows:

			2025
	Salary	Benefits and Allowances	Total
Reeve and Councilors			
Ward 1	\$ 76,255	\$ 8,308	\$ 84,563
Ward 2	66,271	7,178	73,449
Ward 3	64,675	5,545	70,220
Ward 4	77,801	8,958	86,759
Ward 5	71,330	8,457	79,787
Ward 6	70,014	8,363	78,377
Ward 7	108,057	11,579	119,636
	\$ 534,403	\$ 58,388	\$ 592,791
Chief Administrative Officer	\$ 277,812	\$ 39,588	\$ 317,400
Designated Officers (2)	\$ 322,779	\$ 40,417	\$ 363,196

- 1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration including per diem amounts.
 - 2) Employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
 - 3) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees, and the employer's share of the costs of any additional taxable benefits.
-

16. SEGMENTED INFORMATION

The County provides a wide 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.

(a) General Government

General Government is comprised of Council, the office of the CAO and Corporate Services. Corporate Services includes Financial Services, Communications, Assessment, Geographic Information System, and Information Technology Services. Council makes governance decisions regarding service delivery and service levels on behalf of the County in order to balance the needs and wants of the County residents in a financially responsible manner.

(b) Community Services

Community Services consists of seniors' funding, economic development and tourism activities, animal control, shared costs for the airport and special request funding. The Community Services area also provides services mandated by Family and Community Support Services throughout Alberta through a shared funding model between the Province of Alberta, the County, the Town of Rocky Mountain House, and the Village of Caroline.

(c) Emergency and Legislative Services

Emergency and Protective Services is comprised of Fire, Emergency Management, and Municipal Enforcement Services. The regional fire service provides fire suppression along with fire prevention training and education programs. The regional emergency management agency prepares for emergency situations in order to maintain safe communities. The Municipal Enforcement Services provides infrastructure protection, bylaw enforcement and education programs as well as provincial statute enforcement with the authorities granted by the Solicitor General of Alberta.

(d) Transportation Services

Transportation is comprised of services in the Public Works areas. This includes the County's infrastructure (roads and bridges), facilities and maintenance programs, including paving and gravel.

(e) Planning and Development

This area conducts the County's planning and development functions, working with developers to foster sustainable growth within the County. Planning and Development also oversees the ongoing Nordegg development program, as well as the heritage activities, including the Nordegg Museum and Brazeau Collieries Mine Site.

(f) Recreation and Culture

The County contributes to the local recreation programs, libraries and museums in partnership with the Town of Rocky Mountain House, and the Village of Caroline. Through cost-sharing partnerships, the Rocky Mountain House Parks, Recreation and Culture provide recreational and cultural services and activities which promote the well-being of its citizens.

(g) Environmental Services

Environmental Services are comprised of water, wastewater and regional solid waste management collection and recycling.

(h) Agricultural Services and Landcare

Agricultural Services and Landcare administers programs that strengthen relationships in the rural areas as well as relationships with urban communities. This includes vegetation and pest management, environmental stewardship programs, educational workshops, specialized equipment rental, cattle data management and awards such as Century Farms, Farm Family, and Rural Beautification.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

17. DEBT LIMITS

Section 276(2) of the *Municipal Government Act* requires that debt and debt limits, as defined by Alberta Regulation 255/00, for the County be disclosed as follows:

	<u>2025</u>
Total debt limit	\$114,938,805
Total debt	(21,807)
Amount of debt limit unused	\$114,916,998
Debt servicing limit	\$ 19,156,468
Service on debt	(21,807)
Amount of debt servicing limit unused	\$ 19,134,661

The debt limit is calculated at 1.5 times revenue of the County (as defined in Alberta Regulation 255/00) and the debt servicing limit is calculated at 0.25 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities, which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the County. Rather, the financial statements must be interpreted as a whole.

18. FINANCIAL INSTRUMENTS

The County's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the County is not exposed to significant market or currency risk arising from these financial instruments. The following analysis provides information about the County's risk exposure and concentration as of December 31, 2025.

(a) Credit risk

Credit risk arises from the possibility that customers may experience financial difficulty and be unable to fulfill their obligations. The County is exposed to the credit risk associated with fluctuations in the oil and gas industry as a significant portion of the property taxes outstanding relate to linear property and are receivable from companies in the oil and gas industry. The large number and diversity of customers minimizes the County's credit risk.

(b) 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 market interest rates. Interest rate risk arises when the County invests in interest-bearing financial instruments. Interest rate risk on the County's long-term debt is managed through fixed-rate debentures.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The County is exposed to price risk on its investments in fixed income securities.

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

19. BUDGET FIGURES

The budget figures are presented for information purposes only. The 2025 budget, prepared by the County, reflects all municipal activities including capital projects, debt repayments, and restricted surplus transfers. The reconciliation below is provided to encompass these items.

	2025 (Budget)	2025 (Actual)
Annual surplus	\$ 53,602,457	\$521,352,173
Add back (deduct):		
Amortization expense	-	22,046,058
Purchase of tangible capital assets	(84,970,031)	(56,593,529)
Net transfers from restricted surplus to fund capital projects	48,265,345	32,687,597
Net transfers from restricted surplus to fund operations	1,661,950	-
Net transfers to restricted surplus for future purchases	(18,468,386)	(23,372,837)
Proceeds on disposal of tangible capital assets	132,000	186,796
Debt principal repayments	(223,335)	(266,349)
	\$	- \$496,039,909

CLEARWATER COUNTY
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2025

20. AMALGAMATION

Effective January 1, 2025, the former Clearwater County and the former Village of Caroline were amalgamated pursuant to Ministerial Order 358/2024.

Per the terms of the Ministerial Order, the former municipalities were dissolved, and a new municipal district having the name Clearwater County, was formed as at the effective date. The Hamlet of Caroline resides within the boundaries of the new municipal district of Clearwater County.

The Ministerial Order also states “All liabilities, whether arising under a debenture or otherwise, and all assets, rights, duties, functions and obligations of the old municipalities are vested in the new municipality and may be dealt with in its name”.

Accordingly, the net assets of each of the former municipalities, as at December 31, 2024, are shown as contributions to the new municipality within the Consolidated Statement of Operations. Details are as follows:

	Former Clearwater County	Former Village of Caroline	Total
FINANCIAL ASSETS			
Cash and cash equivalents	\$ 55,733,623	1,378,369	57,111,992
Accounts receivable	7,851,124	358,461	8,209,585
Land held for resale	6,036,727	-	6,036,727
Investments	50,032,550	-	50,032,550
	119,654,024	1,736,830	121,390,854
LIABILITIES			
Accounts payable and accrued liabilities	7,307,980	191,332	7,499,312
Deferred revenue	7,542,850	526,001	8,068,851
Long-term debt	223,335	64,821	288,156
Asset retirement obligations	8,667,119	152,821	8,819,940
	23,741,284	934,975	24,676,259
NET FINANCIAL ASSETS	95,912,740	801,855	96,714,595
NON-FINANCIAL ASSETS			
Tangible capital assets	392,229,299	7,724,699	399,953,998
Inventories for consumption	5,303,675	-	5,303,675
Prepaid expenses	1,130,602	-	1,130,602
	398,663,576	7,724,699	406,388,275
ACCUMULATED SURPLUS	\$494,576,316	\$ 8,526,554	\$503,102,870

21. ACCEPTANCE OF FINANCIAL STATEMENTS

These financial statements were accepted by Council as presented.