

FIVE RIVERS

Consolidated Financial Statements

December 31, 2025

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INDEPENDENT AUDITORS' REPORT

To Her Worship the Mayor and Members of Council

Opinion

We have audited the accompanying consolidated financial statements of the Five Rivers (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, changes in net debt 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 Five Rivers as at December 31, 2025, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with 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 Consolidated Financial Statements section of our report. We are independent of the Municipality 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 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's 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 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the appendix of this auditor's report. This description, which is located on page 3, forms part of our auditor's report.

The budget figures are presented for comparison purposes. They have been prepared and approved by the Municipal Council. These figures have not been audited or reviewed.

Bourque Richard Boutot

Chartered Professional Accountants

Dieppe, NB

April 28, 2026

APPENDIX TO INDEPENDENT AUDITOR'S REPORT

Description of the Auditor's Responsibilities for the Audit of the 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 Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Municipality's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Municipality's to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

FIVE RIVERSConsolidated Statement of Operations
Year ended December 31

	2025 Budget (Unaudited) (Note 20)	2025 Actual	2024 Actual
REVENUES			
Property tax warrant	\$ 4,316,844	\$ 4,316,844	\$ 3,867,822
Community funding and Equalization grant	27,814	27,814	36,792
Services provided to other governments	87,000	111,630	110,430
Sale of services, fines and other fees	94,160	149,569	158,547
Other government transfers	81,000	586,721	1,595,435
Water and Wastewater user fees	234,625	241,710	228,299
Interest	20,500	44,029	45,514
Other	7,000	45,415	14,639
Gain (loss) on disposal of tangible capital assets	-	(4,341)	4,450
	<u>4,868,943</u>	<u>5,519,391</u>	<u>6,061,928</u>
EXPENDITURES			
General government services	962,435	882,416	794,832
Protective services	1,801,942	1,787,295	1,635,280
Transportation services	773,986	760,243	643,477
Environmental health services	361,569	363,302	410,091
Environmental development services	240,778	179,587	201,159
Recreational and cultural services	546,577	759,683	441,558
Water and wastewater	314,215	400,977	203,078
	<u>5,001,502</u>	<u>5,133,503</u>	<u>4,329,475</u>
Annual surplus (deficit) (note 18)	<u>\$ (132,559)</u>	385,888	1,732,453
Accumulated surplus, beginning of year		<u>8,233,596</u>	6,501,143
Accumulated surplus, end of year		<u>\$ 8,619,484</u>	<u>\$ 8,233,596</u>

FIVE RIVERSConsolidated Statement of Financial Position
December 31,**2025****2024****FINANCIAL ASSETS**

Cash (note 3)	\$	1,509,072	\$	285,692
Receivables				
General		90,300		88,657
Federal government and its agencies (note 4)		133,262		107,883
Province of New Brunswick (note 5)		85,774		450,211
Investments		7,863		14,256
	\$	1,826,271	\$	946,699

LIABILITIES

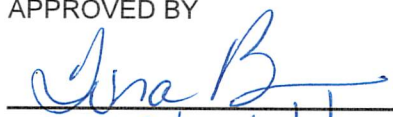
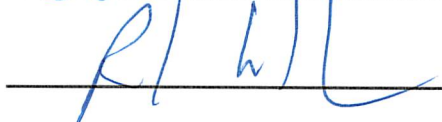
Payables and accruals	\$	865,751	\$	290,538
Deferred revenue (note 7)		243,757		450,022
Long term debt (note 8)		2,284,393		1,746,722
Capital lease obligations (note 9)		520,461		596,256
Accrued sick leave (note 10)		25,499		32,069
Post employment benefits payable (note 11)		32,200		6,600
		3,972,061		3,122,207

NET DEBT**(2,145,790)** (2,175,508)**NON-FINANCIAL ASSETS**

Tangible capital assets (note 16)	23,162,072	22,430,347
Accumulated amortization (note 16)	12,396,798	12,021,243
	10,765,274	10,409,104

ACCUMULATED SURPLUS**\$ 8,619,484** \$ 8,233,596**Contingencies** (note 12)**Commitments** (note 15)

APPROVED BY


_____, Mayor
_____, Councillor *CAC/Clerk*

FIVE RIVERSConsolidated Statement of Change in Net Debt
Year ended December 31,**2025****2024**

Annual surplus	\$ 385,888	\$ 1,732,453
Acquisition of tangible capital assets	(1,046,882)	(2,536,820)
Proceeds on disposition of tangible capital assets	10,865	4,450
Amortization of tangible capital assets	675,507	589,784
Loss (gain) on disposition of tangible capital assets	4,340	(4,450)
	<u>29,718</u>	<u>(214,583)</u>
Increase in net debt	29,718	(214,583)
Net debt, beginning of the year	<u>(2,175,508)</u>	<u>(1,960,925)</u>
Net debt, end of the year	<u>\$ (2,145,790)</u>	<u>\$ (2,175,508)</u>

FIVE RIVERSConsolidated Statement of Cash Flow
Year ended December 31,**2025****2024**

Operating transactions

Annual surplus	\$ 385,888	\$ 1,732,453
Loss (gain) on disposition of tangible capital assets	4,340	(4,450)
Amortization of tangible capital assets	675,507	589,784
Receivable - General	(1,643)	(2,244)
Receivable - Federal government and its agencies	(25,379)	(3,508)
Receivable - Province of New Brunswick	364,437	124,585
Payables and accruals	575,213	(341,919)
Deferred revenue	(206,265)	139,788
Accrued sick leave	(6,570)	(19,460)
Post employment benefits payable/receivable	25,600	21,300
	<u>1,791,128</u>	<u>2,236,329</u>

Capital transactions

Acquisition of tangible capital assets	(1,046,882)	(2,536,820)
Proceeds on disposition of tangible capital assets	10,865	4,450
	<u>(1,036,017)</u>	<u>(2,532,370)</u>

Financing transactions

Long-term debt	537,671	(203,885)
Capital lease obligations	(75,795)	355,323
	<u>461,876</u>	<u>151,438</u>

Investing transactions

Investments	6,393	(2,095)
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Net increase (decrease) in cash and cash equivalents	1,223,380	(146,698)
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Cash and cash equivalents

Beginning of year	285,692	432,390
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End of year	<u>\$ 1,509,072</u>	<u>\$ 285,692</u>
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FIVE RIVERS

Notes to the Consolidated Financial Statements
December 31, 2025

1. Purpose of the organization

The Village of Five Rivers was incorporated as a village by the Province of New Brunswick Municipalities Act on November 9, 1966. As a Municipality, the Village of Five Rivers is exempt from income tax under section 149(1)(c) of the Canadian Income Tax Act.

2. Summary of significant accounting policies

The consolidated financial statements of the Village of Five Rivers are the representations of management prepared in accordance with Canadian generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The focus of PSA financial statements is on the financial position of the Municipality and the changes thereto. The Consolidated Statement of Financial Position includes all of the assets and liabilities of the Municipality.

Significant aspects of the accounting policies adopted by the Municipality are as follows:

Reporting entity

These consolidated financial statements reflect the assets, liabilities, revenues, expenditures and changes in net debt and cash flows of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their affairs and resources to the Municipality and which are owned or controlled by the Municipality.

Interdepartmental and organizational transactions and balances are eliminated.

Budget

The budget figures contained in these financial statements were approved by Council on December 10, 2024, and by the Minister of Local Government on January 6, 2025.

Revenue recognition

- (a) Unrestricted revenue is recorded on an accrual basis and is recognized when collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.
- (b) Other revenue is recorded when it is earned.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates 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 amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results may differ from those estimates.

Financial instruments

The Municipality's financial instruments consist of cash, short-term investments, accounts receivable, due from the Province of New Brunswick, due from the Federal Government, due from own funds, bank loan, payables and accruals, funds held in trust and long-term debt. Unless otherwise noted, it is management's opinion that the Municipality is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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Notes to the Consolidated Financial Statements
December 31, 2025

2. Summary of significant accounting policies (continued)**Financial instruments (continued)**

The Municipality is subject to credit risk through its accounts receivable. The Municipality minimizes credit risk through ongoing credit management.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

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 of the tangible capital asset is amortized on a straight line basis over the estimated useful life as follows:

Asset type	Years
Land improvements	5-25 years
Buildings	40 years
Vehicles	3-5 years
Machinery and equipment	5-15 years
Heavy equipment	10-15 years
Computer hardware and software, and communication equipment	3-5 years
Furniture and fixtures	3-5 years
Road surface	5-15 years
Road grade	10-30 years
Bridges	30-50 years
Marine structures	25-30 years
Lighting / traffic lights	10-15 years
Water and wastewater networks	15-100 years
Dams and water structures	25-50 years
Leasehold improvements	Over the term of the lease

Assets under construction are not amortized until the asset is available for productive use.

Segmented information

The Village of Five Rivers is a diversified municipal unit that provides a wide range of services to its residents. For management reporting purposes, the Municipality's operations and activities are organized and reported by function. This presentation was created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. Municipal services are provided by departments as follows:

General government services

This department is responsible for the overall governance and financial administration of the Municipality. This includes council functions, general and financial management, legal matters and compliance with legislation as well as civic relations.

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Notes to the Consolidated Financial Statements
December 31, 2025

2. Summary of significant accounting policies (continued)**Segmented information (continued)**Protective services

This department is responsible for the provision of policing services, fire protection, emergency measures, animal control and other protective measures.

Transportation services

This department is responsible for common services, roads and streets maintenance, street lighting, traffic services, parking and other transportation related functions.

Environmental health services

This department is responsible for the provision of waste collection and disposal.

Environmental development services

This department is responsible for planning and zoning, community development, tourism and other municipal development and promotion services.

Recreation and cultural services

This department is responsible for the maintenance and operation of recreational and cultural facilities, including the swimming pool, arena, parks and playgrounds and other recreational and cultural facilities.

Water and wastewater systems

This department is responsible for the provision of water and wastewater services including the maintenance and operation of the underground networks, treatment plants, reservoirs and lagoons.

Post employment benefits

The Municipality recognizes its obligations under post employment benefit plans and the related costs, net of plan assets. The Municipality has a sick leave benefit as documented in Note 10 and pension plan as documented in Note 11.

3. Cash	2025	2024
Cash - restricted (note 19)	\$ 469,655	\$ 399,997
Cash - unrestricted	1,039,417	(114,305)
	<u>\$ 1,509,072</u>	<u>\$ 285,692</u>

4. Due from Federal government and its agencies	2025	2024
Canada Revenue Agency (HST refund)	\$ 133,262	\$ 107,883

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Notes to the Consolidated Financial Statements
December 31, 2025

5. Due from Province of New Brunswick

	2025	2024
Regional Development Corporation	\$ 84,143	\$ 443,938
Other	1,631	6,273
	<u>\$ 85,774</u>	<u>\$ 450,211</u>

6. Bank loan

The Municipality has a line of credit with a total authorized amount of \$350,000, bearing interest at the prime rate and renewable annually. The Municipality has ministerial authorizations for short-term borrowings of \$350,000, M.O. #25-0059.

7. Deferred revenue

	2025	2024
Canada Community-Building Fund (CCBF)	\$ 175,634	\$ 382,567
Other	68,123	67,455
	<u>\$ 243,757</u>	<u>\$ 450,022</u>

8. Long-term debt

	2025	2024
Small capital loan (SCL) with the Province of New Brunswick, original amount of \$187,116, repayable in annual instalments of \$36,865 including interest calculated at a rate of 5%, maturing in October 2028	\$ 100,393	130,722
<u>New Brunswick Municipal Financing Corporation</u>		
Debtentures:		
General		
BL38-2014, 1.20% to 3.7%, due in 2034, OIC #12-0051, #13-0030 & #13-0049	682,000	765,000
BP36-2016, 1.2% to 2.95%, due in 2026, OIC #15-65	11,000	21,000
BU34-2018, 2.55% to 3.55%, due in 2033, OIC #17-0006	224,000	248,000
CE23-2023, 4.83% to 5.24%, due in 2033, OIC #22-0039	459,000	506,000
	<u>1,376,000</u>	<u>1,540,000</u>

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Notes to the Consolidated Financial Statements
December 31, 2025

8. Long-term debt (continued)**Water and wastewater**

BJ39-2013, 1.25% to 4.15%, due in 2028, OIC #10-0030
CH28-2025, 2.85% to 4.90%, due in 2045, OIC #22-0039

58,000	76,000
750,000	-
808,000	76,000
<u>\$ 2,284,393</u>	<u>\$ 1,746,722</u>

Approval of the Municipal Capital Borrowing board has been obtained for the long-term debt.

Principal payments required during the next five years are as follows:

2026 -	\$	247,846
2027 -	\$	245,438
2028 -	\$	254,110
2029 -	\$	206,000
2030 -	\$	174,000

9. Capital lease obligations

	2025	2024
Sublease contract for a fire truck, repayable in annual instalments of \$23,251 including interest calculated at a rate of 7%, maturing in May 2027	\$ 46,503	\$ 69,754
Sublease contract for a fire truck, repayable in annual instalments of \$34,350 including interest calculated at a rate of 7%, maturing in June 2029	137,402	171,753
Sublease contract for a fire truck, repayable in annual instalments of \$61,298 including interest calculated at a rate of 7%, maturing in February 2033	490,383	551,680
Interest included in instalments	674,288 (153,827)	793,187 (196,931)
	<u>\$ 520,461</u>	<u>\$ 596,256</u>

Minimum capital lease payments during the next nine years are as follows:

2026 -	\$	118,899
2027 -	\$	118,900
2028 -	\$	95,648
2029 -	\$	95,649
2030 -	\$	61,298
2031 -	\$	61,298
2032 -	\$	61,298
2033 -	\$	61,299

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Notes to the Consolidated Financial Statements
December 31, 2025

10. Accrued sick leave

The Municipality provides sick leave that accumulates at 1.25 days per month for full-time employees. All employees can accumulate a maximum of 120 sick leave days. An employee can take a leave with pay for an amount of time equal to the accumulated sick leave. The sick leave is an unfunded benefit. As such, there are no applicable assets. Benefits are paid out of general revenue as they come due.

The unfunded liability was \$32,069 on December 31, 2024 and \$25,499 on December 31, 2025.

11. Post employment benefits payable / receivable**(a) Pension obligation**

The Municipality and its employees participate in the New Brunswick Municipal Employees Pension Plan (NB MEPP). The NB MEPP is a multiple-employer defined benefit pension plan administered by a board elected by the members under the provisions of the Municipalities Act of New Brunswick. The NB MEPP provides pensions based on length of service and best average earnings.

Actuarial valuations for funding purposes are performed either annually or triennially depending on the financial position of the NB MEPP (currently annually). In turn, the actuarial valuations for accounting purposes are based on these figures (with adjustments). The most recent actuarial valuation was prepared as at December 31, 2023 and resulted in an overall NB MEPP accrued benefit obligation of \$158,648,800 based on the accounting basis.

The actuarial valuation for accounting purposes was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions used reflect management's best estimates. The following summarizes the major assumptions in the valuation as at December 31, 2024:

- the expected inflation rate is 2.10%
- the discount rate used to determine the accrued benefit obligation is 6.05%
- the expected rate of return on assets is 6.05%
- retirement age varies by age and employment category
- estimated average remaining service life (EARS�) is 14.0 years.

The actuarial valuation prepared as at December 31, 2023 indicated that the market value of net assets available for the accumulated plan benefits were less than the present value of these benefits. The pension plan has been granted a solvency deficiency exemption by the Province of New Brunswick. On a going concern valuation basis, the actuarial valuation indicated a plan deficit of \$9,496,000, a change of \$2,732,600 from the December 31, 2022 deficit of \$12,228,600. Based on the assumptions as at December 31, 2023, the actuary expected the level of employer and employee contributions to be sufficient to fund the current service cost and going concern special payments, as required by the Pension Benefits Act.

As at December 31, 2023, the NB MEPP provides benefits for 332 retirees. Total benefit payments to retirees and terminating employees during 2025 are estimated to be approximately \$5,705,700 (actual 2024, \$8,265,100) in totality for the NB MEPP.

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Notes to the Consolidated Financial Statements
December 31, 2025

11. Post employment benefits payable (continued)

Employees make contributions using rates that vary by earnings level and employment category, with an overall average contribution rate of approximately 7.93%. Each participating body contributes an amount that equals their employees contribution amounts. Pension fund assets are invested in short term securities, bonds, Canadian equities, real estate, infrastructure and foreign equities. Combined employees and municipalities contributions for 2025 are estimated to be approximately \$10,714,400 (actual 2024, \$10,714,400 in totality for the NB MEPP).

The following summarizes the NB MEPP data as it relates to the Five Rivers:

- The average age of the 4 active employees covered by the NB MEPP is 56.2 as at December 31, 2023
- Benefit Payments were \$45,600 in 2024 and were estimated to be \$37,300 in 2025
- Combined Contributions were \$26,000 in 2024 and were estimated to be \$26,800 in 2025

In addition to determining the position of the NB MEPP as it relates to the Five Rivers as at December 31, 2023 and December 31, 2024, NB MEPP's actuary performed an extrapolation of the December 31, 2024 accounting valuation to determine the estimated position as at December 31, 2025. The extrapolation assumes assumptions used as at December 31, 2025 remain unchanged from December 31, 2024. The extrapolation also assumes assets return 6.05% net of all fees and expenses. If experience is different than assumed, amounts will be adjusted to reflect actual experience. Results of the extrapolation are as follows:

	2024	Estimated 2025
Accrued benefit liability		
Accrued benefit liability at beginning of period	\$ (6,100)	\$ 14,700
Pension expense for the year	33,800	30,900
Less Employer contributions	(13,000)	(13,400)
Accrued benefit liability/(assets) at end of period	\$ 14,700	\$ 32,200

In summary, the accrued benefit liability as it relates to the Five Rivers is estimated to be \$32,200 as at December 31, 2025. This compares to \$(6,100) as at January 1, 2024 and \$14,700 as at December 31, 2024. This amount is included in the post employment benefits payable on the consolidated statement of financial position.

The financial position as it relates to the accrued benefit liability is shown as follows and illustrates the unamortized amounts being recognized in pension expense over time:

	2024	Estimated 2025
Reconciliation of funded status at end of period		
Accrued benefit obligation	\$ 845,300	\$ 895,400
Plan assets	779,400	815,700
Plan deficit	65,900	79,700
Unamortized prior service costs / (savings)	-	-
Unamortized experience losses / (gains)	51,200	47,500
Unamortized transitional obligation / (asset)	-	-
Accrued benefit liability at end of period	\$ 14,700	\$ 32,200

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Notes to the Consolidated Financial Statements
December 31, 2025

11. Post employment benefits payable (continued)

The following illustrates the reconciliation of accrued benefit obligation from the beginning of period to the end of period:

	2024	Estimated 2025
Reconciliation of accrued benefit obligation		
Accrued benefit obligation at beginning of period	\$ 836,200	\$ 845,300
Current service cost	31,500	36,300
Benefit payments	(45,600)	(37,300)
Interest for period	50,200	51,100
Cost / (savings) of plan amendments	-	-
Experience loss / (gain) during period	(27,000)	-
Accrued benefit obligation at end of period	<u>\$ 845,300</u>	<u>\$ 895,400</u>

The following illustrates the reconciliation of plan assets from the beginning of period to the end of period:

	2024	Estimated 2025
Reconciliation of plan assets		
Plan assets at beginning of period	\$ 724,900	\$ 779,400
Employer contributions	13,000	13,400
Employee contributions	13,000	13,400
Benefit payments	(45,600)	(37,300)
Return on plan assets during period	74,100	46,800
Plan assets at end of period	<u>\$ 779,400</u>	<u>\$ 815,700</u>

Total expenses related to pensions include the following components:

	2024	Estimated 2025
Pension expense		
Employer current service cost	\$ 18,500	\$ 22,900
Interest on accrued benefit obligation	50,200	51,100
Expected return on assets	(43,300)	(46,800)
Amortization of unrecognized balances		
Prior service costs / (savings)	-	-
Experience loss / (gain)	8,400	3,700
Transitional obligation / (asset)	-	-
Total amortization	<u>8,400</u>	<u>3,700</u>
Pension expense	<u>\$ 33,800</u>	<u>\$ 30,900</u>

The pension expense is included in the statement of operations.

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Notes to the Consolidated Financial Statements
December 31, 2025

12. Contingencies

In the normal course of operations, the Municipality becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 2025 cannot be predicted with certainty, it is the opinion of management and council that resolution of these matters will not have a material adverse effect as the Municipality maintains insurance coverage in amounts considered appropriate.

13. Short-term borrowings compliance**Interim borrowing for capital**

The Municipality has arranged a revolving operating facility for the General Capital Fund detailed in note 6.

The Municipality has ministerial authority for short-term borrowings as follows:

General Capital Fund, M.O. #25-0059	\$ 350,000
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The Municipality holds outstanding ministerial orders as follows:

General Capital Fund, M.O. #25-0059	\$ 350,000
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Operating borrowing

As prescribed in the Municipalities Act, borrowing to finance General Fund operations is limited to 4% of the Municipality's operating budget. Borrowing to finance Utility Fund operations is limited to 50% of the operating budget for the year. In 2025, the Municipality has complied with these restrictions.

Inter-fund borrowing

The Municipal Financial Reporting Manual requires that short-term inter-fund borrowings be repaid in next the year unless the borrowing is for a capital project. The amounts payable between funds are not in compliance with the requirements.

14. Water and wastewater fund surplus/deficit

The Municipalities Act requires water and wastewater fund surplus/deficit amounts to be absorbed into one or more of four operating budgets commencing with the second next ensuing year. The balance of the surplus/deficit at the end of the year consists of:

	2025	2024
2025 Deficit	\$ (33,695)	\$ -
2024 Surplus	20,865	20,865
2023 Surplus	-	54,175
2022 Deficit	-	(18,721)
	<u>\$ (12,830)</u>	<u>\$ 56,319</u>

FIVE RIVERS

Notes to the Consolidated Financial Statements
December 31, 2025

15. Commitments

The Municipality has various agreements with regards to snow removal for the next three years. The annual payments required are as follows:

2026 - \$271,187

2027 - \$184,816

FIVE RIVERS

Notes to the Consolidated Financial Statements
December 31, 2025

16. Schedule of Tangible Capital Assets

	Land	Land improvements	Buildings and leasehold improvements	Vehicles	Machinery and equipment	Roads and street	Infrastructure Treatment facilities	Water and wastewater	Small equipment	Assets under construction	2025 Total	2024 Total
COST												
Balance, beginning of year	\$ 526,479	\$ 963,560	\$ 4,360,530	\$ 177,215	\$ 3,281,006	\$ 4,723,484	\$ 1,203,607	\$ 3,758,238	\$ 38,701	\$ 3,397,527	\$ 22,430,347	\$ 19,916,203
Add: Net additions during the year	-	893,940	13,319	11,269	954,134	-	2,235,325	-	-	(3,061,105)	1,046,882	2,536,820
Less: Disposal during the year	-	-	-	-	-	-	315,157	-	-	-	315,157	22,676
Balance, end of year	526,479	1,857,500	4,373,849	188,484	4,235,140	4,723,484	3,123,775	3,758,238	38,701	336,422	23,162,072	22,430,347
ACCUMULATED AMORTIZATION												
Balance, beginning of year	-	535,633	1,520,210	147,930	1,872,267	4,039,892	1,107,594	2,759,878	37,839	-	12,021,243	11,454,135
Add : Amortization during the year	-	50,834	161,433	14,841	207,759	118,603	63,037	58,138	862	-	675,507	589,784
Less :Accumulated amortization on disposal	-	-	-	-	-	-	299,952	-	-	-	299,952	22,676
Balance, end of year	-	586,467	1,681,643	162,771	2,080,026	4,158,495	870,679	2,818,016	38,701	-	12,396,798	12,021,243
NET BOOK VALUE OF TANGIBLE CAPITAL	\$ 526,479	\$ 1,271,033	\$ 2,692,206	\$ 25,713	\$ 2,155,114	\$ 564,989	\$ 2,253,096	\$ 940,222	\$ -	\$ 336,422	\$ 10,765,274	\$ 10,409,104
Consists of :												
General Fund Assets	\$ 485,042	\$ 370,833	\$ 2,692,206	\$ 25,713	\$ 2,078,457	\$ 564,989	\$ -	\$ 38,392	\$ -	\$ -	\$ 6,255,632	\$ 5,825,212
Water & Wastewater Fund Assets	41,437	900,200	-	-	76,657	-	2,253,096	901,830	-	336,422	4,509,642	4,583,892
	\$ 526,479	\$ 1,271,033	\$ 2,692,206	\$ 25,713	\$ 2,155,114	\$ 564,989	\$ 2,253,096	\$ 940,222	\$ -	\$ 336,422	\$ 10,765,274	\$ 10,409,104

The Municipality has tangible capital assets under capital leases as follows, included in the amounts listed above:

	Historical Cost	Accumulated Amortization	Net Book Value
Machinery and equipment	\$ 742,793	\$ 93,562	\$ 649,231

FIVE RIVERS

Notes to the Consolidated Financial Statements
December 31, 2025

17. Schedule of Segment Disclosure

	General	Protective	Transportation	Environmental health	Environmental development	Recreation and cultural	Water and Wastewater	2025 Consolidated	2024 Consolidated
Revenues									
Property tax warrant	\$ 886,372	\$ 1,659,532	\$ 712,817	\$ 332,994	\$ 221,749	\$ 503,380	\$ -	\$ 4,316,844	\$ 3,867,822
Community funding and Equalization grant	5,710	10,693	4,593	2,146	1,429	3,243	-	27,814	36,792
Services provided to other governments	-	47,634	63,996	-	-	-	-	111,630	110,430
Sale of service, fines and other fees	-	-	-	-	108,386	41,183	-	149,569	158,547
Other government transfers	24,509	298,900	-	-	-	236,711	26,601	586,721	1,595,435
Water and wastewater user fees	-	-	-	-	-	-	241,710	241,710	228,299
Interest	3,812	-	-	-	-	-	40,217	44,029	45,514
Other	11,707	-	-	-	-	43,748	(14,381)	41,074	19,089
	932,110	2,016,759	781,406	335,140	331,564	828,265	294,147	5,519,391	6,061,928
Expenses									
Salaries and benefits	398,746	57,879	96,921	-	-	134,182	63,427	751,155	583,877
Goods and services	449,651	1,360,026	510,625	363,302	179,587	511,534	181,915	3,556,640	3,049,245
Amortization	8,125	284,778	152,112	-	-	103,289	127,203	675,507	589,784
Interest	13,215	84,612	585	-	-	10,678	28,432	137,522	99,601
Other	12,679	-	-	-	-	-	-	12,679	6,968
	882,416	1,787,295	760,243	363,302	179,587	759,683	400,977	5,133,503	4,329,475
Surplus (deficit) for the year	\$ 49,694	\$ 229,464	\$ 21,163	\$ (28,162)	\$ 151,977	\$ 68,582	\$ (106,830)	\$ 385,888	\$ 1,732,453

FIVE RIVERS

Notes to the Consolidated Financial Statements
December 31, 2025

18. Reconciliation of Annual Surplus

	General Operating Fund	General Capital Fund	Water & Wastewater Operating Fund	Water & Wastewater Capital Fund	General Operating Reserve Fund	General Capital Reserve Fund	Water & Wastewater Operating Reserve Fund	Water & Wastewater Capital Reserve Fund	Total
2025 annual surplus (deficit)	\$ 721,235	\$ (231,039)	\$ 5,200	\$ (115,808)	\$ 889	\$ 1,632	\$ 260	\$ 3,519	\$ 385,888
Adjustments to annual surplus (deficit) for funding requirements									
Second previous year's surplus/deficit	162,179	-	35,454	-	-	-	-	-	197,633
Transfers between funds									
Transfer from general operating fund to general operating reserve	(50,000)	-	-	-	50,000	-	-	-	-
Transfer from general operating fund to general capital reserve	(300,000)	-	-	-	-	300,000	-	-	-
Transfer from water and wastewater operating fund to water and wastewater capital reserve	-	-	(25,000)	-	-	-	-	25,000	-
Transfer from general capital reserve to general capital fund	-	222,292	-	-	-	(222,292)	-	-	-
Transfer from general operating reserve to general operating fund	13,350	-	-	-	(13,350)	-	-	-	-
Transfer from water and wastewater capital reserve to water and wastewater capital fund	-	-	-	76,000	-	-	-	(76,000)	-
Transfer from general operating fund to general capital fund	(100,031)	100,031	-	-	-	-	-	-	-
Transfer from water and wastewater operating fund to water and wastewater capital fund	-	-	(31,808)	31,808	-	-	-	-	-
Long-term debt principal repayment	(194,329)	194,329	-	-	-	-	-	-	-
Long-term debt principal repayment	-	-	(18,000)	18,000	-	-	-	-	-
Capital lease obligations principal repayment	(75,795)	75,795	-	-	-	-	-	-	-
Proceeds from disposal of tangible capital assets	10,865	(10,865)	-	-	-	-	-	-	-
Provision for sick leave accrual	(7,031)	-	459	-	-	-	-	-	(6,572)
Amortization expense	-	548,304	-	127,203	-	-	-	-	675,507
Change in amount recorded under PSA for defined benefit liability	25,600	-	-	-	-	-	-	-	25,600
Total adjustments to 2025 annual surplus (deficit)	(515,192)	1,129,886	(38,895)	253,011	36,650	77,708	-	(51,000)	892,168
2025 annual fund surplus (deficit)	\$ 206,043	\$ 898,847	\$ (33,695)	\$ 137,203	\$ 37,539	\$ 79,340	\$ 260	\$ (47,481)	\$ 1,278,056

FIVE RIVERSNotes to the Consolidated Financial Statements
December 31, 2025

19. Statement of Reserves

	General Operating Reserve	General Capital Reserve	Water & Wastewater Operating Reserve	Water & Wastewater Capital Reserve	2025 Total	2024 Total
<u>Assets</u>						
Cash and term deposits	\$ 68,190	\$ 125,098	\$ 5,856	\$ 56,595	\$ 255,739	\$ 492,662
Receivable (payable)	50,000	128,916	10,000	25,000	213,916	(92,665)
<u>Accumulated Surplus</u>	\$ 118,190	\$ 254,014	\$ 15,856	\$ 81,595	\$ 469,655	\$ 399,997
<u>Revenue</u>						
Transfers from General and Water and Wastewater Operating Funds	\$ 50,000	\$ 300,000	\$ -	\$ 25,000	\$ 375,000	\$ 20,000
Interest	889	1,632	260	3,519	6,300	7,256
	50,889	301,632	260	28,519	381,300	27,256
<u>Expenditures</u>						
Transfer to General and Water and Wastewater Capital Funds	13,350	222,292	-	76,000	311,642	-
	13,350	222,292	-	76,000	311,642	-
<u>Annual Surplus</u>	\$ 37,539	\$ 79,340	\$ 260	\$ (47,481)	\$ 69,658	\$ 27,256

The balance of the Water and Wastewater Operating Reserve is not in compliance with the limit of 5% of previous year expenditures.

FIVE RIVERS

Notes to the Consolidated Financial Statements
December 31, 2025

19. Statement of Reserves (continued)**Council Resolutions regarding transfers to and from reserves:**

Moved by Councillor Kelly Pidgeon, seconded by Deputy Mayor Karen Campbell that Council approves the Treasurer to withdraw up to \$134,000 from the Utility Capital Reserve Funds to cover the cost of the Wastewater System Upgrades Project 12055.

Moved by Councillor Elaine Warren, seconded by Councillor William Flanagan that Council agrees to allocate up to \$275,000 from its General Capital Reserve Fund to purchase a fire truck for the Rexton Fire Department before January 15, 2026.

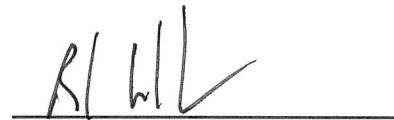
Moved by Councillor William Flanagan, seconded by Councillor Mike Robertson that Council approves the Treasurer to transfer up to \$20,000 from the general operating reserve fund to pay for the production and installation of municipal signage.

Moved by Councillor Elaine Warren, seconded by Councillor William Flanagan that Council approves the transfer of \$300,000 from the General Operating Fund to the General Capital Reserve Fund.

Moved by Councillor Elaine Warren, seconded by Councillor Mike Robertson that Council approves the transfer of \$50,000 from the General Operating Fund to the General Operating Reserve Fund.

Moved by Deputy Mayor Karen Campbell, seconded by Councillor Mike Robertson that Council approves the transfer of \$25,000 from the Utility Operating Fund to the Utility Capital Reserve Fund.

I hereby certify that the above are true and exact copies of resolutions adopted at the council meetings dated April 30, 2025, May 13, 2025, November 12, 2025 and December 23, 2025.



Rob Webber
Clerk,
Five Rivers

April 29, 2026
Date



FIVE RIVERS

Notes to the Consolidated Financial Statements
December 31, 2025

20. Operating Budget to PSA Budget

	Operating Budget General	Operating Budget Water & Wastewater	Amortization TCA	Transfers	Total
Revenue					
Property tax warrant	\$ 4,316,844	\$ -	\$ -	\$ -	\$ 4,316,844
Services provided to other governments	87,000	-	-	-	87,000
Sales of services, fines and other fees	94,160	-	-	-	94,160
Community funding and Equalization grant	27,814	-	-	-	27,814
Other government transfers	81,000	-	-	-	81,000
Other transfers	7,000	-	-	-	7,000
Water and wastewater user fees	-	234,625	-	-	234,625
Interest	500	20,000	-	-	20,500
Surplus / (deficit) of second previous year	162,179	35,454	-	(197,633)	-
	<u>4,776,497</u>	<u>290,079</u>	<u>-</u>	<u>(197,633)</u>	<u>4,868,943</u>
Expenditures					
General government services	940,202	-	8,125	14,108	962,435
Protective services	1,432,351	-	284,778	84,813	1,801,942
Transportation services	621,270	-	152,112	604	773,986
Environmental health services	361,569	-	-	-	361,569
Environmental development services	240,778	-	-	-	240,778
Recreational and cultural services	432,531	-	103,289	10,757	546,577
Fiscal services					
- Long-term debt repayments	194,329	48,000	-	(242,329)	-
- Capital leasing arrangements	75,796	-	-	(75,796)	-
- Interest	110,282	8,362	-	(118,644)	-
- Short-term interest for capital projects	15,000	15,067	-	(30,067)	-
- Transfer from the General Operating Fund to the General Capital Fund	225,000	-	-	(225,000)	-
- Transfer from the General Operating Fund to the General Reserve Funds	127,389	-	-	(127,389)	-
- Transfer from the Water and Wastewater Operating Fund to the Water and Wastewater Reserve Funds	-	40,000	-	(40,000)	-
Water and wastewater	-	178,650	127,203	8,362	314,215
	<u>4,776,497</u>	<u>290,079</u>	<u>675,507</u>	<u>(740,581)</u>	<u>5,001,502</u>
Surplus (deficit)	\$ -	\$ -	\$ (675,507)	\$ 542,948	\$ (132,559)

FIVE RIVERS

Notes to the Consolidated Financial Statements

December 31, 2025

21. Expense support	Budget 2025	Actual 2025	Actual 2024
General government services			
Legislative			
Mayor	\$ 32,510	\$ 30,505	\$ 30,834
Councilors	83,075	69,535	74,253
Training	25,000	17,791	5,018
Other	10,000	2,389	6,441
General administrative			
Administrative			
Clerk and personnel	287,750	287,494	223,764
Office building	62,300	38,850	33,787
Legal services	30,000	11,290	11,802
Consulting - Human Resources	-	24,624	71,288
Other administrative services	34,000	31,257	18,451
Financial management			
Administration: Other	2,700	4,740	3,899
External audit	18,000	14,652	15,602
Other financial management	9,000	9,082	8,046
Common services			
Civic relations	8,500	9,877	6,519
Training and development	35,000	9,040	30
Other general administrative services			
Cost of assessment	96,867	96,867	85,964
Regional & Collaborative Services - KRSC	-	-	1,197
Liability insurance	106,600	79,872	84,620
Other general administrative services	5,000	4,123	4,853
Other general government services			
Grants for social and environmental services	31,000	26,240	19,500
Other general services	11,000	20,241	11,099
Labour projects	51,900	72,607	55,170
Amortization	8,125	8,125	8,083
Interest	14,108	13,215	14,612
	\$ 962,435	\$ 882,416	\$ 794,832
Protective services			
Police protection			
RCMP contract	\$ 1,019,864	\$ 1,019,864	\$ 985,376
Fire protection			
Administration	25,550	25,370	22,323
Fire fighting force	62,900	97,241	82,396
Fire alarm system	4,500	4,024	4,115
Station and building	108,158	111,954	98,360
Fighting equipment	148,250	96,794	88,527
Training and development	11,000	8,037	11,620
Contractual agreement with other local government	14,000	17,048	12,749
Emergency measures	3,000	851	936
Other protection			
By-law enforcement	14,677	14,962	7,293
Animal and pest control	14,638	15,946	10,251
Regional collaboration - KRSC	5,814	5,814	7,880
Amortization	284,778	284,778	236,599
Interest	84,813	84,612	66,855
	\$ 1,801,942	\$ 1,787,295	\$ 1,635,280

FIVE RIVERS

Notes to the Consolidated Financial Statements

December 31, 2025

21. Expense support

	Budget 2025	Actual 2025	Actual 2024
Transportation services			
Common services			
Administration	\$ 108,300	\$ 100,337	\$ 60,993
General equipment	32,800	40,319	24,993
Buildings - workshops	19,600	20,743	10,374
Road transport			
Roads and streets			
Summer maintenance	50,000	101,975	42,203
Culverts and drainage ditches	3,000	-	2,346
Storm sewer	50,000	3,486	18,786
Street cleaning and flushing	6,000	10,409	5,084
Snow and ice removal	276,100	244,216	228,411
Street lights	48,000	49,837	46,210
Traffic services			
Street signs	10,000	18,271	7,340
Traffic lane marking	10,000	10,483	8,909
Public transportation			
Contribution to KRSC	7,470	7,470	8,372
Amortization	152,112	152,112	178,605
Interest	604	585	851
	\$ 773,986	\$ 760,243	\$ 643,477

Environmental health services

Solid waste collection - KRSC	\$ 275,513	\$ 275,513	\$ 309,044
Solid waste disposal - KRSC	80,556	81,793	96,033
Other environmental health	5,500	5,996	5,014
	\$ 361,569	\$ 363,302	\$ 410,091

Environmental development services

Planning and zoning			
Contribution to KRSC	\$ 121,401	\$ 121,401	\$ 120,215
Land development			
Beautification and rehabilitation	15,000	7,372	5,061
Community and social development			
Contribution to KRSC	4,205	4,205	2,954
Economic development			
Contribution to KRSC	5,981	5,981	6,985
Other economic development services	30,000	11,385	22,305
Other development services			
Promotion of tourist attraction	15,000	-	-
Contribution to KRSC	6,191	6,191	6,991
Other tourism	13,000	12,302	10,022
Markets	-	-	19,712
Other (decorative lighting, etc.)	30,000	10,750	6,914
	\$ 240,778	\$ 179,587	\$ 201,159

FIVE RIVERSNotes to the Consolidated Financial Statements
December 31, 2025

21. Expense support

	Budget 2025	Actual 2025	Actual 2024
Recreational and cultural services			
Recreation services			
Administration	\$ 69,300	\$ 69,504	\$ 57,787
Community centre	3,800	11,305	3,579
Curling rink	90,900	67,626	60,052
Parks and playgrounds	40,058	55,909	38,202
Cultural services			
Programming	25,000	25,907	2,249
Historical sites - Bonar Law	109,000	111,484	81,351
Other recreation and cultural services			
Regional recreation infrastructure cost sharing - KRSC	9,830	9,830	9,323
Kent North Centre - KRSC	84,643	84,643	73,504
Other - Clairville Rink & Bassriver Hall	-	209,508	-
Amortization	103,289	103,289	103,785
Interest	10,757	10,678	11,726
	\$ 546,577	\$ 759,683	\$ 441,558

Water and Wastewater

Water supply			
Water purchased	\$ 6,000	\$ 6,076	\$ 3,255
Wastewater disposal			
Administration and general	31,050	29,678	25,514
Wastewater collection system	104,600	175,363	70,391
Wastewater lifts stations	12,000	6,617	2,224
Amortization	127,203	127,203	62,712
Interest	8,362	28,432	5,557
Other			
Discounts	5,000	5,842	7,197
Provision for loss on accounts receivable	20,000	21,766	26,228
	\$ 314,215	\$ 400,977	\$ 203,078