

The Corporation of the Village of Salmo
2025 STATEMENT OF FINANCIAL INFORMATION

Statement of Financial Information (SOFI)
THE CORPORATION OF THE VILLAGE OF SALMO
Fiscal Year Ended December 31, 2025

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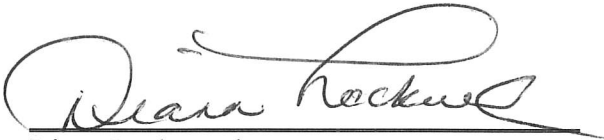
Statement of Financial Information (SOFI)

THE CORPORATION OF THE VILLAGE OF SALMO

Fiscal Year Ended December 31, 2025

STATEMENT OF FINANCIAL INFORMATION APPROVAL

We, the undersigned, approve the attached statements and schedules included in this Statement of Financial Information, produced under the Financial Information Act.



Diana Lockwood
Mayor



Nathan Russ, CPA, CMA
Chief Financial Officer

Statement of Financial Information (SOFI)

THE CORPORATION OF THE VILLAGE OF SALMO

Fiscal Year Ended December 31, 2025

MANAGEMENT REPORT

The Financial Statements contained in this Statement of Financial Information under the *Financial Information Act* have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of these statements are management's responsibility.

Management is also responsible for all other schedules of financial information and for ensuring this information is consistent, where appropriate, with the information contained in the financial statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Mayor and Council are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and for approving the financial information included in the Statement of Financial Information.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules of financial information required by the *Financial Information Act*. Their examination includes a review and evaluation of the Village's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

On behalf of The Corporation of the Village of Salmo



Nathan Russ, CPA, CMA
Chief Financial Officer
May 22, 2026

THE CORPORATION OF THE VILLAGE OF SALMO
FINANCIAL STATEMENTS
DECEMBER 31, 2025

THE CORPORATION OF THE VILLAGE OF SALMO
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For the Year Ended December 31, 2025

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THE CORPORATION OF THE VILLAGE OF SALMO

MANAGEMENT REPORT

For the Year Ended December 31, 2025

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying financial statements. The financial statements have been prepared in accordance with the accounting principles disclosed in Note 1 to the financial statements and include amounts that are based on estimates and judgments. Management believes that the financial statements fairly present The Corporation of the Village of Salmo's financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. The financial statements have been approved by Council.

Management has established and maintained appropriate systems of internal control including policies and procedures, which are designed to provide reasonable assurance that The Corporation of the Village of Salmo's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of the financial statements.

The independent external auditors, Doane Grant Thornton LLP, have been appointed by Council to express an opinion as to whether the financial statements present fairly, in all material respects, The Corporation of the Village of Salmo's financial position, results of operations, and changes in net financial assets are in conformity with the accounting principles disclosed in Note 1 to the financial statements. The report of Doane Grant Thornton LLP, follows and outlines the scope of their examination and their opinion on the financial statements.



Nathan Russ, CPA, CMA
Financial Officer

Independent auditor's report

To the Mayor and Council of
The Corporation of the Village of Salmo

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation of the Village of Salmo as at December 31, 2025, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Village in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. Exhibit 1 is presented for the purposes of additional information and is not a required part of the financial statements. Such information has not been subject to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion thereon.

Other Matter – Predecessor Auditor

The financial statements of the Village for the year ended December 31, 2024, were audited by another firm of Chartered Professional Accountants who expressed an unmodified opinion on those statements on April 22, 2025.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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 Village's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Village to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Castlegar, Canada
May 12, 2026

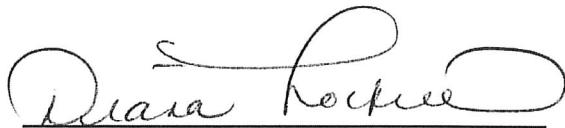
Doane Grant Thornton LLP
Chartered Professional Accountants

THE CORPORATION OF THE VILLAGE OF SALMO
STATEMENT OF FINANCIAL POSITION

As at December 31, 2025

	<u>2025</u>	<u>2024</u>
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 3,917,363	\$ 3,884,422
Accounts receivable (Note 3)	214,013	194,742
MFA deposits (Note 4)	<u>16,107</u>	<u>15,638</u>
	<u>4,147,483</u>	<u>4,094,802</u>
Financial Liabilities		
Accounts payable and accrued liabilities (Note 5)	120,340	266,963
Deferred revenue (Note 6)	423,481	446,586
Accrued future payroll benefits (Note 7)	29,726	36,600
Debt (Note 8)	553,469	594,305
Asset retirement obligations (Note 9)	<u>766,881</u>	<u>732,786</u>
	<u>1,893,897</u>	<u>2,077,240</u>
Net Financial Assets	2,253,586	2,017,562
Non-Financial Assets		
Tangible capital assets (Note 10)	9,533,548	9,634,373
Inventory	8,498	8,498
Property acquired for taxes	17,317	17,317
Prepaid expenses	<u>21,044</u>	<u>23,164</u>
	<u>9,580,407</u>	<u>9,683,352</u>
Accumulated Surplus (Note 11)	<u>\$ 11,833,993</u>	<u>\$ 11,700,914</u>

Trust Funds (Note 12)
Commitments and Contingencies (Note 15)



Diana Lockwood
Mayor



Nathan Russ, CPA, CMA
Financial Officer

THE CORPORATION OF THE VILLAGE OF SALMO
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the Year Ended December 31, 2025

	2025 Budget (Note 17)	2025	2024
Revenue			
Taxes	\$ 546,031	\$ 549,771	\$ 504,983
Sale of services	121,414	133,553	134,545
Other revenue from own sources	160,858	130,981	128,263
Investment income	36,000	87,205	86,442
Government transfers- unconditional (Note 15)	451,000	438,000	498,600
Government transfers - conditional (Note 15)	8,197,492	350,424	416,995
Water user fees	222,140	219,508	203,766
Sewer user fees	<u>365,522</u>	<u>363,101</u>	<u>341,681</u>
	<u>10,100,457</u>	<u>2,272,543</u>	<u>2,315,275</u>
Expenses			
General government	677,582	587,029	691,046
Protective services	164,850	137,144	113,945
Transportation services	349,006	252,019	266,987
Environmental health services	124,850	109,377	113,503
Public health and welfare services	16,050	12,948	13,002
Parks, recreation and cultural services	63,800	59,451	51,113
Interest and other debt charges	22,118	38,490	22,120
Water utility operations	220,825	158,706	150,423
Sewer utility operations	317,085	303,003	336,483
Accretion	-	34,095	33,095
Amortization	<u>460,000</u>	<u>447,202</u>	<u>445,582</u>
	<u>2,416,166</u>	<u>2,139,464</u>	<u>2,237,299</u>
Annual surplus	7,684,291	133,079	77,976
Accumulated surplus, beginning of the year	<u>11,700,914</u>	<u>11,700,914</u>	<u>11,622,938</u>
Accumulated surplus, end of the year	<u>\$ 19,385,205</u>	<u>\$ 11,833,993</u>	<u>\$ 11,700,914</u>

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SALMO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the Year Ended December 31, 2025

	<u>2025 Budget</u>	<u>2025</u>	<u>2024</u>
Annual surplus	\$ 7,684,291	\$ 133,079	\$ 77,976
Acquisition of tangible capital assets	(8,217,700)	(346,377)	(343,399)
Amortization of capital assets	<u>460,000</u>	<u>447,202</u>	<u>445,582</u>
	(73,409)	233,904	180,159
Acquisition (consumption) of prepaid expenses	-	2,120	(186)
Acquisition (consumption) of supply inventory	<u>-</u>	<u>-</u>	<u>875</u>
	-	2,120	689
Increase (decrease) in net financial assets	(73,409)	236,024	180,848
Net financial assets, beginning of year	<u>2,017,562</u>	<u>2,017,562</u>	<u>1,836,714</u>
Net financial assets, end of the year	<u>\$ 1,944,153</u>	<u>\$ 2,253,586</u>	<u>\$ 2,017,562</u>

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SALMO
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	2025	2024
Cash Provided by (Used In)		
Operating Activities		
Annual surplus	\$ 133,079	\$ 77,976
Items not involving cash:		
Amortization of tangible capital assets	447,202	445,582
Accretion	34,095	33,095
Actuarial adjustments	<u>(17,004)</u>	<u>(15,491)</u>
	597,372	541,162
Increase (decrease) in non-cash working capital balances:		
Accounts receivable	(19,271)	56,065
MFA deposits	(469)	(526)
Accounts payable and accrued liabilities	(146,623)	92,781
Deferred revenue	(23,105)	213,257
Accrued future payroll benefits	(6,874)	6,991
Inventory	-	875
Prepaid expenses	<u>2,120</u>	<u>(184)</u>
	<u>403,150</u>	<u>910,421</u>
Financing Activities		
Debt repayment	<u>(23,832)</u>	<u>(23,832)</u>
Capital Activities		
Acquisition of tangible capital assets	<u>(346,377)</u>	<u>(343,399)</u>
Net increase in cash and cash equivalents	32,941	543,190
Cash and cash equivalents, beginning of year	<u>3,884,422</u>	<u>3,341,232</u>
Cash and cash equivalents, end of year	<u>\$ 3,917,363</u>	<u>\$ 3,884,422</u>

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

1. Significant Accounting Policies

The Corporation of the Village of Salmo (the "Village") is a local government in the Province of British Columbia. The financial statements have been prepared in accordance with Canadian public sector accounting standards.

The following is a summary of the Village's significant accounting policies:

(a) Basis of Presentation

The Village's resources and operations are segregated into general, water and sewer funds and statutory and non-statutory reserve funds and reserves for future capital expenditures for accounting and financial reporting purposes. These financial statements include the accounts of all the funds of the Village. Inter-fund transactions and balances have been eliminated.

(b) Revenue Recognition

Sources of revenue are recorded on the accrual basis and include revenue in the period in which the transactions or events occurred that give rise to the revenues. Taxation revenues are recognized at the time of issuing the property tax notices for the fiscal year. Sale of services and user fee revenues are recognized when the service or product is rendered by the Village.

Grant revenues are recognized when the funding becomes receivable. Revenue unearned in the current period is recorded as deferred revenue.

(c) Deferred Revenue

Deferred revenue represents funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes as well as licenses, permits, other fees and grants which have been collected, but for which the related services have not been performed and or projects have not been constructed. These amounts will be recognized as revenues in the fiscal year in which they are used for the specified purpose, the services are performed and or the projects are constructed.

(d) Government Transfers

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

(e) Financial Instruments

The Village's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued future payroll benefits and debt. It is management's opinion that the Village is not exposed to significant interest, currency, liquidity, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

(f) Accrued Future Payroll Benefits

The Village records the cost of future payroll benefits over the employee's term of employment.

(g) Interest and Actuarial Gains on Long Term Debt

The Village records interest expense on long-term debt on an accrual basis and actuarial gains when realized as a reduction of the principal balance.

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

1. **Significant Accounting Policies** (continued)

(h) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid temporary money market instruments.

(i) Tangible Capital Assets

Tangible capital assets, comprised of capital assets and capital assets under construction, are recorded at cost and are classified according to their functional use. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put in to service. Donated tangible capital assets are reported at fair value at the time of donation. Estimated useful lives are as follows:

Land Improvements	15 to 20 years
Buildings	40 years
Fixtures, Furniture, Equipment and Vehicles	6 to 10 years
Roads and Paving	20 to 40 years
Bridge and Other Transportation Structures	40 to 50 years
Water Infrastructure	20 to 60 years
Sewer Infrastructure	20 to 60 years

(j) 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 ordinary course of operations.

(k) Statutory Reserves

Statutory reserves are funds that have been restricted by council. Formal establishing bylaws have been adopted pursuant to the Community Charter, which define how these reserves are to be used.

(l) Liability for 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 contaminated sites is recognized when a site is not in productive use and all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Village is directly responsible, or accepts responsibility;
- it is expected that a future economic benefit will be given up; and
- a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance, and monitoring that are an integral part of the remediation strategy for a contaminated site.

There are no liabilities to be recorded as at December 31, 2025.

THE CORPORATION OF THE VILLAGE OF SALMO

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

1. Significant Accounting Policies (continued)

(m) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Significant areas requiring estimates include the useful lives of tangible capital assets for amortization, future employee benefits, allowance for doubtful accounts, provision for contingencies, and timing and extent of future asset retirement obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

(n) Budget

Budget data presented in these financial statements is based on the Village's Five Year Financial Plan for the years 2025-2029, adopted by Council on April 22, 2025.

(o) Segments

The Village conducts its business through a number of reportable segments. These operating segments are established by senior management to facilitate the achievement of the Village's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

(p) Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset that the Village will be required to settle. The Village recognizes asset retirement obligations when there is a legal obligation to incur retirement costs in relation to a tangible capital asset, 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.

Asset retirement obligations are initially measured at the best estimate of the amount required to retire a tangible capital asset at the financial statement date. The estimate of a liability includes costs directly attributable to asset retirement activities.

Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the related tangible capital asset. The obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and for revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate.

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

2. Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position are comprised of:

	<u>2025</u>	<u>2024</u>
Cash	\$ 3,757,216	\$ 3,728,749
MFA bond and money market funds	<u>160,147</u>	<u>155,673</u>
	<u>\$ 3,917,363</u>	<u>\$ 3,884,422</u>

Municipal Finance Authority (MFA) pooled investment funds are considered equivalent to cash because of their liquidity.

3. Accounts Receivable

	<u>2025</u>	<u>2024</u>
Property taxes	\$ 112,265	\$ 100,845
Utility billings	49,191	39,705
Other governments	19,599	15,893
Trade and other receivables	<u>32,958</u>	<u>38,299</u>
	<u>\$ 214,013</u>	<u>\$ 194,742</u>

4. Municipal Finance Authority Debt Reserve Fund

The Municipal Finance Authority of British Columbia provides capital financing for regional districts and their member municipalities. As a condition of this financing, a portion of the debenture proceeds is withheld by the Municipal Finance Authority as a Debt Reserve Fund. The Municipal Finance Authority must then use this fund if at any time there are insufficient funds to meet payments on its obligations. Upon maturity of the debt issue, the unused portion is discharged to the municipality. The Village recognizes these cash deposits on the financial statements.

The Village also executes demand notes in connection with each debenture whereby the Village may be required to loan certain amounts to the Municipal Finance Authority. These demand notes are contingent in nature and are not recorded in the financial statements.

As at December 31, 2025, the total of the Debt Reserve and Demand Note balances are as follows:

	<u>2025</u>	<u>2025</u>	<u>2024</u>	<u>2024</u>
	<u>Cash Deposit</u>	<u>Demand Note</u>	<u>Cash Deposit</u>	<u>Demand Note</u>
General fund	\$ <u>16,107</u>	\$ <u>22,711</u>	\$ <u>15,638</u>	\$ <u>22,711</u>

5. Accounts Payable and Accrued Liabilities

	<u>2025</u>	<u>2024</u>
Trades payable	\$ 94,394	\$ 242,584
Accrued wages and benefits	<u>25,946</u>	<u>24,379</u>
	<u>\$ 120,340</u>	<u>\$ 266,963</u>

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

6. Deferred Revenue

	Opening Balance	Contributions Received	Revenue Recognized	Ending Balance
Federal Gas tax grant*	\$ -	\$ 115,320	\$ (115,320)	\$ -
Other grants and contributions	414,438	45,000	(76,849)	382,589
Prepaid taxes, licenses, & fees	<u>32,148</u>	<u>36,769</u>	<u>(28,025)</u>	<u>40,892</u>
	<u>\$ 446,586</u>	<u>\$ 197,089</u>	<u>\$ (220,194)</u>	<u>\$ 423,481</u>

* The Federal Gas tax grant and the Growing Communities Fund is recognized into revenue and immediately transferred into the Community Works fund and the Growing Communities Fund reserve, respectively.

7. Accrued Future Payroll Benefits

	2025	2024
Holiday Pay	\$ 8,446	\$ 12,612
Sick Leave	18,396	17,741
Banked Overtime	<u>2,884</u>	<u>6,247</u>
	<u>\$ 29,726</u>	<u>\$ 36,600</u>

The Village accrues holiday pay and banked overtime as they are earned by the employee, however, it is expected that these substantially funded liabilities will be met on a continuous basis over the long-term. Payment of these amounts will be funded from revenues of the period in which they are settled.

8. Debt

Debt Bylaw #	Purpose of Bylaw	Interest rate %	Year of Maturity	Original Issue	2025 Balance	2024 Balance
General Purposes:						
579	Wellness centre	2.25%	2039	885,000	540,617	569,035
610	Public works shop	1.47%	2026	<u>150,000</u>	<u>12,852</u>	<u>25,270</u>

Total Debt \$ 553,469 \$ 594,305

Principal payments and expected actuarial additions for the next 5 years and thereafter are as follows:

	Total
2026	\$ 42,407
2027	30,737
2028	31,967
2029	33,245
2030	34,575
Thereafter	<u>380,538</u>
	<u>\$ 553,469</u>

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

9. Asset Retirement Obligations

Existing laws and regulations require the Village to take specific actions regarding the removal and disposal of certain capital assets at the end of their useful life. Asset retirement obligations related to buildings, sewer, and storm sewer infrastructure capital assets are amortized over the remaining expected useful life of the related assets.

Estimated costs totaling \$1,852,219 using an inflation rate of 3.5% have been discounted using a present value calculation with a discount rate of 4.73%. The discount rate used was based on borrowing rate for liabilities with similar risks and maturity. The timing of these expenditures is estimated to occur between 2026 and 2048 with the regular replacement, renovation, or disposal of assets. No recoveries are expected at this time.

The following is a summary of asset retirement obligation transactions for the year:

	<u>2025</u>	<u>2024</u>
Opening asset retirement obligation	\$ 732,786	\$ 699,691
Increase due to accretion	<u>34,095</u>	<u>33,095</u>
Closing asset retirement obligation	<u>\$ 766,881</u>	<u>\$ 732,786</u>

10. Tangible Capital Assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2025 Net Book Value</u>	<u>2024 Net Book Value</u>
Land	\$ 1,256,899	\$ -	\$ 1,256,899	\$ 1,256,899
Buildings	3,473,821	1,476,502	1,997,319	2,093,244
Vehicles, equipment & furniture	2,542,134	1,996,234	545,900	610,906
Transportation infrastructure	3,932,423	2,138,245	1,794,178	1,799,901
Water infrastructure	2,775,101	1,127,825	1,647,276	1,536,983
Sewer infrastructure	<u>4,110,805</u>	<u>1,818,829</u>	<u>2,291,976</u>	<u>2,336,440</u>
	<u>\$ 18,091,183</u>	<u>\$ 8,557,635</u>	<u>\$ 9,533,548</u>	<u>\$ 9,634,373</u>

See Schedule A - Schedule of tangible capital assets for more information.

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

11. **Accumulated Surplus**

	<u>2025</u>	<u>2024</u>
Reserves		
Ambulance service	\$ 13,181	\$ 12,953
Community works fund	395,010	472,450
Curling rink	19,514	19,176
Employee sick leave	10,000	10,000
Fire department equipment	237,995	185,012
Growing communities reserve	670,638	703,596
Jaws of life	293,548	272,254
Machinery & equipment	249,739	218,630
Parks	20,267	17,984
Sewer infrastructure	72,328	51,305
Water infrastructure	396,844	343,408
Wellness centre	<u>147,131</u>	<u>134,921</u>
	2,526,195	2,441,689
Operating surplus	1,095,404	952,746
Invested in tangible capital assets	<u>8,212,395</u>	<u>8,306,479</u>
Total Accumulated Surplus	<u>\$ 11,833,993</u>	<u>\$ 11,700,914</u>

12. **Trust Funds**

The Cemetery Care Trust Fund is not reported in these financial statements. The following is a summary of Trust Fund transactions for the year:

	<u>2025</u>	<u>2024</u>
Balances, beginning of year	\$ 27,836	\$ 26,925
Contributions received	302	455
Interest earned	<u>461</u>	<u>456</u>
Balances, end of year	<u>\$ 28,599</u>	<u>\$ 27,836</u>

13. **Taxes Levied For Other Paid Authorities**

In addition to taxes levied for municipal purposes, the Village is legally obligated to collect and remit taxes levied for the following authorities. These collections and remittances are not recorded as revenue and expenses.

	<u>2025</u>	<u>2024</u>
Provincial Government - School taxes	\$ 430,727	\$ 395,630
Provincial Government - Police taxes	72,717	69,835
Regional District of Central Kootenay	392,313	366,022
West Kootenay Boundary Hospital District	39,109	37,449
British Columbia Assessment Authority	10,540	9,362
Municipal Finance Authority	<u>50</u>	<u>48</u>
	<u>\$ 945,456</u>	<u>\$ 878,346</u>

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

14. Pension Plan

The Village of Salmo and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation of the Municipal Pension Plan at December 31, 2024, indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2027 with results available in 2028.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The Village of Salmo paid \$52,208 (2024 - \$47,860) for employer contributions to the plan in fiscal 2025.

15. Government Transfers

Government transfers received during the year were composed of the following:

	2025	2025	2024	2024
	<u>Unconditional</u>	<u>Conditional</u>	<u>Unconditional</u>	<u>Conditional</u>
Federal government	\$ -	\$ -	\$ -	\$ -
Provincial government	438,000	160,320	498,600	202,748
Regional/other	-	190,104	-	214,247
	<u>\$ 438,000</u>	<u>\$ 350,424</u>	<u>\$ 498,600</u>	<u>\$ 416,995</u>

16. Commitments and Contingencies

Regional District debt

Regional District debt is under the provisions of the Community Charter of BC a direct, joint and several liability of the District and each member municipality within the District including the Village of Salmo.

Claims for Damages

In the normal course of a year the Village is faced with lawsuits and claims for damages of a diverse nature. The outcome of these claims cannot be reasonably determined at this time.

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2025

16. **Commitments and Contingencies (continued)**

Reciprocal Insurance Exchange Agreement

The Village is a subscribed member of the Municipal Insurance Association of British Columbia (The "Exchange") as provided by Section 3.02 of the Insurance Act of British Columbia. The main purpose of the Exchange is to pool the risks of liability so as to lessen the impact upon any subscriber. Under the Reciprocal Insurance Exchange agreement, the Village is assessed a premium and specific deductible based on population and claims experience. The obligation of the Village with respect to the Exchange and/or contracts and obligations entered into by the Exchange on behalf of its subscribers in connection with the Exchange are in every case several and not joint and several. The Village irrevocably and unconditionally undertakes and agrees to indemnify and save harmless the other subscribers against liability losses and costs which the other Subscriber may suffer.

17. **Budget Data**

The reconciliation of the approved budget for the current year to the budget figures reported in these financial statement is as follows:

	<u>2025</u>
Budget surplus per Statement of Operations	\$ 7,684,291
Less: Capital expenditures	8,217,700
Debt principal repayments	23,832
Budgeted transfers to reserves	382,459
Add: Budgeted transfers from surplus & reserves	479,702
Amortization	460,000
Debt proceeds	-
Net annual budget	<u>\$ -</u>

18. **Segmented Information**

The Village is a diversified municipal government institution that provides a wide range of services to its citizens. Village services are provided by departments and their activities are reported in these service areas. Departments disclosed in the segmented information, along with the services they provide, are as follows:

General Government Services

The Departments and Divisions within General Government Services are responsible for adopting bylaws & administrative policy; levying and collecting taxes and utilities; acquiring, disposing and managing Village assets; ensuring effective financial management and communication; administering Village grants; emergency planning; economic development; preparing land use plans, bylaws and policies for sustainable development of the Village; monitoring and reporting performance; and ensuring that high quality Village service standards are met. The general revenue reported under the department includes revenues associated with taxation, business tax revenues and senior government payments in lieu of taxes. These revenues have not been apportioned to other departments supported by the general fund.

THE CORPORATION OF THE VILLAGE OF SALMO
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

18. **Segmented Information** (continued)

Protective Services

Protective Services comprises of fire protection and bylaw enforcement. Bylaw is responsible for parking and other bylaw enforcement, as well as domestic animal control.

The mandate of the Fire and Rescue Services is to protect life, property and the environment through the provision of emergency response, inspections, code enforcement and public education, ensuring safety for the public.

Transportation Services

Transportation Services is responsible for planning, building, operating and maintaining the Village's physical infrastructure including roads and sidewalks, civic buildings and facilities. In addition, the divisions provide services for storm sewer services, and fleet services.

Environmental Health

Environmental Health is responsible for the Village's solid waste collection services.

Public Health and Welfare

Public Health and Welfare maintains the cemetery grounds and operations for the Village.

Parks, Culture and Recreation Services

Parks, Culture and Recreation is responsible for providing, facilitating the development of, and maintaining high quality parks, recreation facilities and cultural services.

Water and Sewer Utility Operations

The Water Utility is responsible for planning, designing, building and maintaining the Village's drinking water distribution system including the reservoir, water mains and pump stations. The Sewer and Drainage Utility collects, treats and disposes sanitary sewage and drainage through the wastewater treatment plant and the network of sewer mains and pump stations.

THE CORPORATION OF THE VILLAGE OF SALMO
SCHEDULE A - SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2025

Tangible Capital Assets	Opening Balance	Additions & Reallocation of Assets Under Construction	Disposals	Closing Balance	Accumulated Amortization Opening Balance	Amortization Expense	Reduction on Disposals	Accumulated Amortization Closing Balance	Net Carrying Amount End of year
Land	\$ 1,256,899	\$ -	\$ -	\$ 1,256,899	\$ -	\$ -	\$ -	\$ -	\$ 1,256,899
Buildings	3,473,821	-	-	3,473,821	1,380,577	95,925	-	1,476,502	1,997,319
Vehicles, equipment & furniture	2,526,904	24,286	(9,056)	2,542,134	1,915,998	89,292	(9,056)	1,996,234	545,900
Transportation infrastructure	3,845,603	86,820	-	3,932,423	2,045,702	92,543	-	2,138,245	1,794,178
Water infrastructure	2,599,309	175,792	-	2,775,101	1,062,326	65,499	-	1,127,825	1,647,276
Sewer infrastructure	<u>4,051,326</u>	<u>59,479</u>	<u>-</u>	<u>4,110,805</u>	<u>1,714,886</u>	<u>103,943</u>	<u>-</u>	<u>1,818,829</u>	<u>2,291,976</u>
Total	\$ <u>17,753,862</u>	\$ <u>346,377</u>	\$ <u>(9,056)</u>	\$ <u>18,091,183</u>	\$ <u>8,119,489</u>	\$ <u>447,202</u>	\$ <u>(9,056)</u>	\$ <u>8,557,635</u>	\$ <u>9,533,548</u>

THE CORPORATION OF THE VILLAGE OF SALMO
SCHEDULE B - SCHEDULE OF SEGMENTED INFORMATION
For the Year Ended December 31, 2025

	General Government	Protective Services	Transportation Services	Environmental Health Services	Public Health Services	Parks & Recreation	Water Utility	Sewer Utility	2025 Total
Revenues									
Taxes	\$ 549,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,771
Sales of Service	-	-	-	111,338	3,613	-	2,616	15,986	133,553
Other revenue from own services	26,640	20,790	6,886	-	57,679	18,986	-	-	130,981
Investment income	87,205	-	-	-	-	-	-	-	87,205
Government transfers-unconditional	438,000	-	-	-	-	-	-	-	438,000
Government transfers-conditional	179,250	115,613	37,608	3,486	10,000	4,467	-	-	350,424
Water user fees	-	-	-	-	-	-	219,508	-	219,508
Sewer user fees	-	-	-	-	-	-	-	363,101	363,101
	<u>1,280,866</u>	<u>136,403</u>	<u>44,494</u>	<u>114,824</u>	<u>71,292</u>	<u>23,453</u>	<u>222,124</u>	<u>379,087</u>	<u>2,272,543</u>
Expenditures									
Wages and benefits	334,045	16,777	150,936	3,974	5,714	21,188	86,370	172,480	791,484
Supplies and services	252,984	120,367	101,083	105,403	7,234	38,263	72,336	130,523	828,193
Interest and other debt charges	-	-	2,205	-	36,285	-	-	-	38,490
Amortization	27,134	60,804	125,437	507	39,059	24,819	65,499	103,943	447,202
Accretion	22,353	-	-	-	-	-	10,987	755	34,095
	<u>636,516</u>	<u>197,948</u>	<u>379,661</u>	<u>109,884</u>	<u>88,292</u>	<u>84,270</u>	<u>235,192</u>	<u>407,701</u>	<u>2,139,464</u>
Annual Surplus (Deficit)	<u>\$ 644,350</u>	<u>\$ (61,545)</u>	<u>\$ (335,167)</u>	<u>\$ 4,940</u>	<u>\$ (17,000)</u>	<u>\$ (60,817)</u>	<u>\$ (13,068)</u>	<u>\$ (28,614)</u>	<u>\$ 133,079</u>

THE CORPORATION OF THE VILLAGE OF SALMO
SCHEDULE C - GROWING COMMUNITIES FUND RECONCILIATION

December 31, 2025

Province of BC Growing Communities Fund reconciliation

The following is a summary of fund transactions for the current year:

	<u>2025</u>
Growing Communities Fund opening balance	\$ 703,596
Interest earned during the year	13,149
Less: Eligible use of funds	46,107
Remaining grant	<u>\$ 670,638</u>

THE CORPORATION OF THE VILLAGE OF SALMO
SCHEDULE D - CAPACITY FUNDING RECONCILIATION
December 31, 2025

Province of BC Capacity Funding for Local Government Housing Initiatives reconciliation

The following is a summary of fund transactions for the current year:

	<u>2025</u>
Capacity Fund opening balance	\$ 150,485
Interest earned during the year	-
Less: Eligible use of funds	-
Remaining grant	<u>\$ 150,485</u>

THE CORPORATION OF THE VILLAGE OF SALMO
EXHIBIT 1 - PROVINCE OF BC GRANT RECONCILIATIONS (UNAUDITED)
December 31, 2025

Province of BC COVID-19 Restart Grant reconciliation

The following is a summary of grant transactions for the current year:

	<u>2025</u>
COVID-19 Restart Grant received opening Balance	\$ 101,941
Less grant recognition:	
Revenue shortfalls	-
Facility reopening & operating costs	-
Emergency planning & response costs	-
Computer & other electronic technology costs	<u>-</u>
Remaining grant	<u>\$ 101,941</u>

Statement of Financial Information (SOFI)

THE CORPORATION OF THE VILLAGE OF SALMO

Fiscal Year Ended December 31, 2025

SCHEDULE OF DEBT

Information on all long-term debt is included in the Audited Financial Statements of The Corporation of the Village of Salmo.

Prepared as required by *Financial Information Regulation*, Schedule 1, section 4

Statement of Financial Information (SOFI)

THE CORPORATION OF THE VILLAGE OF SALMO

Fiscal Year Ended December 31, 2025

SCHEDULE OF GUARANTEE AND INDEMNITY AGREEMENTS

The Corporation of the Village of Salmo has not given any guarantees or indemnities under the Guarantees and Indemnities Regulation.

Prepared under the Financial Information Regulation, Schedule 1, section 5

Statement of Financial Information (SOFI)

THE CORPORATION OF THE VILLAGE OF SALMO

Fiscal Year Ended December 31, 2025

STATEMENT OF SEVERANCE AGREEMENTS

There were no severance agreements made between The Corporation of the Village of Salmo and its non-unionized employees during the fiscal year ended December 31, 2025.

Prepared under the Financial Information Regulation, Schedule 1, subsection 6(8)

THE CORPORATION OF THE VILLAGE OF SALMO
 SCHEDULE OF REMUNERATION AND EXPENSE
 YEAR ENDED DECEMBER 31, 2025

NAME		REMUNERATION	EXPENSE
ELECTED OFFICIALS	POSITION		
Cox, Melanie	Councillor	\$ 3,015	
Heatlie, Jonathon	Councillor	7,235	
Lins, Jennifer	Councillor	7,235	
Lockwood, Diana	Mayor	12,711	2,188
Mckellar, Payton	Councillor	1,206	
Neil, Kenzie	Councillor	7,235	
TOTAL ELECTED OFFICIALS		<u>38,636</u>	<u>2,188</u>
DETAILED EMPLOYEES > \$75,000			
Dejong, Maxwell		84,448	-
Kwiatkowski, Derek		105,808	2,921
Paton, Fred		87,814	3,209
		<u>278,070</u>	<u>6,130</u>
TOTAL EMPLOYEES <= \$75,000		<u>344,140</u>	<u>478</u>
TOTAL		<u>\$ 660,847</u>	<u>\$ 8,796</u>
TOTAL EMPLOYER PREMIUM FOR CPP/EI			\$ 44,684

Prepared under the Financial Information Regulation, Schedule 1, section 6 to subsection 6(6)

THE CORPORATION OF THE VILLAGE OF SALMO
 SCHEDULE OF PAYMENTS TO SUPPLIERS OF GOODS AND SERVICES
 YEAR ENDED DECEMBER 31, 2025

DETAILED SUPPLIERS >\$25,000

<u>SUPPLIER NAME</u>	<u>EXPENSE</u>
B Speers Contracting	\$ 30,321
City of Nelson	73,328
Custom Dozing Ltd.	55,071
Fortis BC Inc.	86,984
GFL Environmental Inc. 2020	128,786
Manulife Financial	51,822
Municipal Insurance Association of BC	79,766
Municipal Pension Plan	100,823
Precision Service & Pumps Inc	176,547
Terus Construction Ltd.	31,983
Wholesale Fire & Rescue Ltd.	25,796

TOTAL DETAILED SUPPLIERS >\$25,000	841,228
TOTAL SUPPLIERS <= \$25,000	553,764
TOTAL SUPPLIERS	1,394,992
GRANTS AND CONTRIBUTIONS >\$25,000	
TOTAL PAYMENTS, GRANTS AND CONTRIBUTIONS	\$ 1,394,992

Prepared under the Financial Information Regulation, Schedule 1, section 7(1) and (2)

The Corporation of the Village of Salmo
PAYMENT TO FINANCIAL STATEMENT RECONCILIATION
Fiscal Year Ended December 31, 2025

S.O.F.I. Report Scheduled Payments

Remuneration	\$ 660,847	
Employee Expenses	8,796	
Employer CPP/EI	<u>44,684</u>	\$ 714,326

Payments for Goods and Services 1,394,992

Total of Scheduled Payments \$ 2,109,318

Total of Financial Statement Expenditures \$ 2,139,464

The difference between the total of Scheduled Payments and the total Financial Statements Expenditures are due to:

- Adjustments to account for the difference between payments made on a cash basis, and the audited financial statements reporting expenditures on an accrual basis of accounting. This would include adjustments for opening and closing balances of inventories, prepaid expenses, and accrued liabilities.
- List of payments to suppliers include 100% GST while the expenditures in the financial statements are net of the applicable GST rebate.
- Capital expenditures are shown as payments to the vendor in this report. However, the total financial statement expenditures do not reflect these payments as they report amortization of all the capital assets.
- The Schedule of Payments of Goods and Services may include payments made on behalf of third parties, which are recovered from these parties and the expense is excluded from the Financial Statements.
- Payments to some suppliers may be reported directly to the Balance Sheet and therefore are not reported as expenditures
- The expense line item in the financial statements include an accretion expense which is a non-cash item for accounting purposes. There is no payment or cash transaction for this expense.

