The City of Medicine Hat Library Board

Financial Statements

December 31, 2025

To the Board of The City of Medicine Hat Library Board:

Opinion

We have audited the financial statements of The City of Medicine Hat Library Board (the "Library"), 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, and related schedules for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2025, and the results of its operations 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 Library 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

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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 Library'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 Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 Library'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 Library'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 Library 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.

Medicine Hat, Alberta

April 15, 2026

MNP LLP

Chartered Professional Accountants

The City of Medicine Hat Library Board

Statement of Financial Position

As at December 31, 2025

	2025	2024
Financial Assets		
Cash and cash equivalents *(Note 4)*	**499,328**	752,941
Accounts receivable *(Note 5)*	**15,043**	7,808
Investments *(Note 6)*	**552,200**	303,300
Prepaid expenses	**4,850**	14,453
Due from City of Medicine Hat *(Note 9)*	**-**	10,032
	1,071,421	1,088,534
Financial Liabilities		
Accounts payable and accruals *(Note 7)*	**171,082**	205,958
Deferred revenue *(Note 8)*	**36,158**	24,910
Due to City of Medicine Hat *(Note 9)*	**39,199**	-
	246,439	230,868
Net Financial Assets	**824,982**	857,666
Non-Financial Assets		
Tangible capital assets *(Schedule 2)*	**871,290**	942,798
Prepaid collection levy	**33,143**	-
	904,433	942,798
Net assets before spent deferred capital contributions	**1,729,415**	1,800,464
Spent deferred capital contributions (Note 10)	**9,298**	10,399
Accumulated surplus *(Schedule 1, Note 11)*	**1,720,117**	1,790,065

Commitments *(Note 15)*

Approved on behalf of the Board

Trustee **Trustee**

The accompanying notes are an integral part of these financial statements

The City of Medicine Hat Library Board
Statement of Operations
For the year ended December 31, 2025

	2025 Budget (Note 18)	2025	2024
Grant revenue			
City of Medicine Hat	**2,666,106**	**2,666,106**	2,624,975
Province of Alberta	**349,750**	**367,237**	367,237
Other grants	**81,292**	**94,268**	65,207
Services to Shortgrass Regional Library System	**-**	**20,000**	-
Employment grants	**8,550**	**10,201**	13,243
Amortization of spent deferred capital contributions *(Note 10)*	**-**	**1,101**	1,101
	3,105,698	**3,158,913**	3,071,763
Sales, service and other revenue			
Other donations and miscellaneous	**36,100**	**39,562**	47,143
Interest	**10,000**	**39,446**	24,398
Other services	**12,000**	**31,577**	28,765
Fees and fines	**25,000**	**21,264**	20,710
Room and equipment rental	**15,000**	**8,057**	12,824
Memberships	**10,000**	**5,147**	10,558
Discarded materials	**2,000**	**1,997**	2,409
	110,100	**147,050**	146,807
	3,215,798	**3,305,963**	3,218,570
Expenses			
Salaries and benefits	**2,279,142**	**2,283,442**	2,208,492
Amortization	**-**	**456,546**	452,563
Repairs, maintenance and supplies	**172,323**	**166,018**	157,240
Utilities	**153,450**	**95,700**	91,775
Security	**82,400**	**80,234**	74,465
Materials	**2,500**	**63,521**	41,777
Program expenses	**52,000**	**56,156**	56,023
Grant expenses	**-**	**35,011**	24,452
Insurance	**34,398**	**27,630**	29,932
Computer maintenance and services	**35,000**	**23,228**	13,445
Staff travel	**10,000**	**19,561**	9,579
Advertising	**20,000**	**17,425**	13,818
Professional fees	**13,000**	**13,000**	14,650
Board expenses	**14,000**	**10,490**	8,901
Office, supplies and consumables	**17,600**	**9,973**	14,503
Telephone and communication	**7,350**	**6,346**	6,412
Special projects	**10,000**	**5,268**	6,430
Licences and fees	**3,000**	**2,879**	2,480
Bank charges and interest	**2,000**	**2,005**	2,392
Community events	**-**	**1,478**	-
	2,908,163	**3,375,911**	3,229,329
Excess (deficiency) of revenue over expenses	**307,635**	**(69,948)**	(10,759)

The accompanying notes are an integral part of these financial statements

The City of Medicine Hat Library Board
Statement of Changes in Net Financial Assets
As at December 31, 2025

	2025 Budget (Note 18)	**2025**	2024
Net financial assets, beginning of year	**857,666**	**857,666**	835,535
Excess (deficiency) of revenue over expenses	**307,635**	**(69,948)**	(10,759)
Acquisition of tangible capital assets	-	**(385,038)**	(483,206)
Amortization of tangible capital assets	-	**456,546**	452,563
Amortization of spent deferred capital contributions	-	**(1,101)**	10,399
Net reduction (increase) of prepaid collection levy	-	**(33,143)**	53,134
	307,635	**(32,684)**	22,131
Net financial assets, end of year	**1,165,301**	**824,982**	**857,666**

The accompanying notes are an integral part of these financial statements

The City of Medicine Hat Library Board
Statement of Cash Flows
For the year ended December 31, 2025

	2025	*2024*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(69,948)**	(10,759)
Amortization	**456,546**	452,563
Amortization of capital contributions	**(1,101)**	(1,101)
	385,497	440,703
Changes in working capital accounts		
Accounts receivable	**(7,234)**	(229)
Prepaid expenses	**9,605**	(7,780)
Accounts payable and accruals	**(34,879)**	64,640
Deferred revenue	**11,248**	15,501
Prepaid collection levy	**(33,143)**	53,134
Advances with the City of Medicine Hat	**49,231**	(115,488)
	380,325	450,481
Financing		
Deferred capital contributions received	**-**	11,500
Capital activities		
Purchase of tangible capital assets	**(385,038)**	(483,206)
Investing		
Purchase of investments	**(248,900)**	-
Proceeds on maturity of investments	**-**	201,100
	(248,900)	201,100
Increase (decrease) in cash resources	**(253,613)**	179,875
Cash resources, beginning of year	**752,941**	573,066
Cash resources, end of year	**499,328**	752,941

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

The City of Medicine Hat Library Board (the “Library”) was incorporated under the authority of the *Alberta Libraries Act* as a not-for-profit organization and is a registered charity thus being exempt from income taxes under the *Canadian Income Tax Act* (the Act"), and is able to issue donation receipts for income tax purposes. The Library serves as a community hub, providing equitable and convenient access to books, media, information, and programs to help educate, enrich, entertain and inform. The Medicine Hat Public Library has a vision being a valued resource, fostering lifelong learning and enhancing the vitality of the community now and into the future and has been a public institution in Medicine Hat since 1915.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards using the standards applicable to government not-for-profit organizations, including the following significant accounting policies:

Basis of accounting

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

Revenue recognition

All revenue are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government grants, non-government grants, and donations

Government grants without terms for the use of the grant are recorded as revenue when the Library is eligible to receive the funds. The operating grant and unrestricted donations are recognized as revenue in the year received.

Restricted grants and donations are recognized as deferred revenue if the terms for use create a liability. These grants and donations are recognized as revenue as the terms are met. If the grants and donations are used to acquire or construct tangible capital assets, revenue will be recognized over the useful life of the tangible capital asset.

Sales of services and products

Sales of services and products represent revenues from membership fees, program fees, room and equipment rentals, merchandise sales, fines and fees, interest revenue, and other administrative services.

These revenues, with the exception of fines and fees and some administrative services are considered revenues arising from exchange transactions. Revenue from these transactions is recognized when or as the Library fulfils its performance obligation(s) and transfers control of the promised goods and services to the payor. If the performance obligation is outstanding at year end, the remaining revenue is deferred.

Revenue without performance obligations is a non-exchange transaction with a payor and is recognized when the Library has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset.

Investment income

Investment income includes interest income and is recognized on an accrual basis.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Library's operations and would otherwise have been purchased.

Deferred revenue

Deferred revenue represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met.

2. Significant accounting policies *(Continued from previous page)*

Employee future benefits

The Library's employee future benefit program consists of multi-employer defined benefit plan .

The Library participates in the Local Authorities Pension Plan, a multi-employer defined benefit pension plan, through the City of Medicine Hat, for which there is insufficient information to apply defined benefit plan accounting because the actuary does not attribute portions of the surplus to individual employers. Accordingly the Library is not able to identify its share of the plan assets and liabilities, and therefore, the Library uses defined contribution plan accounting for this plan.

Valuation of financial assets and liabilities

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

Financial statement component	Measurement
Cash and cash equivalents	Cost
Short-term investments	Fair value and amortized cost
Accounts receivable	Lower of cost or net recoverable value
Investments	Fair value and amortized cost
Accounts payable and accrued liabilities	Cost

Cash and cash equivalents

Cash and cash equivalents include balances with banks, cash on hand, and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Investments

Short term investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. They consist of guaranteed investment certificates with maturities at the date of purchase beyond three months and less than twelve months.

Long-term investments are guaranteed investment certificates recorded at fair value for those with prices quoted in an active market, and cost less impairment for those that are not quoted in an active market. They have been classified as long-term assets in concurrence with the nature of the investment.

Tangible capital assets

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

	Rate
Building improvements	10 years
Furniture, fixtures and equipment	5-10 years
Computer equipment	3 years
Books and library collection	3 years

Tangible capital asset write-downs are recognized when conditions indicate they no longer contribute to the Library's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Net write-downs are recognized as expenses.

2. Significant accounting policies *(Continued from previous page)*

Purchased intangibles

Purchased intangibles are recorded at cost less accumulated amortization. The cost, less any residual value, of purchased intangibles with a finite life is amortized on a straight line basis over its useful life in a manner appropriate to its nature and use, which is normally the shortest of the technological, commercial, and legal life. Purchased intangibles with an indefinite life are not amortized.

Write-downs are recognized for finite and indefinite life intangibles when conditions indicate they no longer contribute to the Library's ability to provide services, or when the value of future economic benefits associated with the purchased intangibles are less than their net book value. Net write-downs are recognized as expenses.

Financial instruments

The Library recognizes its financial instruments when the Library becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

If the Library defines and implements a risk management or investment management strategy to manage and evaluate the performance of a group of financial assets, financial liabilities, or both on a fair value basis, the Library may elect at initial recognition to subsequently measure those items at fair value. The Library has not made such an election during the year.

The Library subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses while interest income is recognized in the statement of operations. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess (deficiency) of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

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

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

3. Future accounting pronouncements

The Library will adopt the following new conceptual framework and accounting standards approved by the Public Sector Accounting Board:

i. Effective April 1, 2026, *The Conceptual Framework for Financial Reporting in the Public Sector*. The Conceptual Framework is the foundation for public sector financial reporting standards. it replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

ii. Effective April 1, 2026, PS 1202 *Financial Statement Presentation*. Section PS 1202 sets out general and specific requirements for the presentation and information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

The Library is currently assessing the impact of the new conceptual framework and standard, and the extent of the impact of their adoption on the financial statements has not yet been determined.

4. Cash and cash equivalents

	2025	*2024*
Petty cash	**423**	268
Cash in banks	**498,905**	752,673
	499,328	752,941

5. Accounts receivable

	2025	*2024*
Accounts receivable	**3,787**	4,355
Interest receivable	**11,256**	3,453
	15,043	7,808

6. Investments

	2025	*2024*
Non-redeemable guaranteed investment certificates	**452,200**	303,300
Redeemable guaranteed investment certificates	**100,000**	-
	552,200	303,300

Short-term investments total $552,200 (2024 - $3,300), have effective interest rates of 2.1% to 3.05% (2024 - 4.26%) and mature from January 2026 to July 2026. There are no long-term investments in the current year (2024 - $300,000 with interest rates of 3.40% to 4.77% that matured from June to December).

7. Accounts payable and accruals

	2025	2024
Accounts payable	**41,451**	70,631
Vacation pay payable	**88,725**	102,139
Sick leave payable	**13,509**	12,595
Wages payable	**27,397**	20,593
	171,082	205,958

8. Deferred revenue

Deferred revenue represents unspent resources externally restricted for specific projects and programs that are related to a subsequent year. The balance in these funds are as follows:

	Opening	*Amounts received*	*Recognized as revenue*	*Ending*
2025				
Sunrise Rotary - Ride the Road	**2,878**	**5,000**	**5,100**	**2,778**
Community Housing 2024	**18,210**	**20,323**	**38,533**	**-**
B. Lewis Donation	**3,300**	**-**	**1,100**	**2,200**
McLaughlin Donation	**522**	**-**	**-**	**522**
Government of Alberta - Social Work Grant	**-**	**81,292**	**50,634**	**30,658**
	24,910	**106,615**	**95,367**	**36,158**
2024				
Sunrise Rotary - Ride the Road	**3,079**	**5,000**	**5,201**	**2,878**
Community Housing 2022	**1,402**	**-**	**1,402**	**-**
Community Housing 2023	**-**	**15,846**	**15,846**	**-**
Community Housing 2024	**-**	**60,969**	**42,759**	**18,210**
Society of Friends	**6**	**2,400**	**2,406**	**-**
B. Lewis Donation	**4,400**	**-**	**1,100**	**3,300**
McLaughlin Donation	**522**	**-**	**-**	**522**
	9,409	**84,215**	**68,714**	**24,910**

9. Due to the City of Medicine Hat

The Library is accountable for the administration of their financial affairs under the terms of their funding agreement to the City of Medicine Hat. At December 31, 2025, the Library owed the City of Medicine Hat $39,199 (2024 – City of Medicine Hat owed the Library $10,032). The advance payable bears no interest and is repayable on demand.

10. Deferred contributions related to tangible capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of tangible capital assets. Recognition of these amounts as revenue is deferred to periods when the related tangible capital assets are amortized. Changes in deferred capital contributions are as follows:

	2025	*2024*
Balance, beginning of year	**10,399**	-
Amount received during the year	**-**	11,500
Less: Amounts recognized as revenue during the year	**(1,101)**	(1,101)
Balance, end of year	**9,298**	10,399

11. Accumulated surplus

Accumulated operating surplus consists of internally restricted and unrestricted amounts and equity in tangible capital assets.

	2025	*2024*
Reserves		
Tangible capital assets (i)	**505,196**	606,409
Insurance deductible (ii)	**-**	50,000
Vacation payable (iii)	**-**	9,000
Donation reserve (iv)	**252,929**	192,257
Contingency reserve (v)	**100,000**	-
	858,125	857,666
Invested in tangible capital assets	**861,992**	932,399
	1,720,117	1,790,065

i) Tangible capital asset reserve:

This reserve has been established to fund capital projects as approved by the Board. As well, the Board has the discretion to use this reserve to fund any operating deficit or allocate any operating surplus.

ii) Insurance deductible reserve:

This reserve had been established to cover the insurance deductible and was to be maintained at no less than the insurance deductible. This reserve was eliminated in the current year.

iii) Vacation payable reserve:

The vacation entitlement reserve was intended to assist in funding vacation benefits as they became due. This reserve was eliminate in the current year.

iv) Donation reserve:

This reserve has been established based on unspent donated funds that were received with no external stipulations.

v) Contingency reserve:

This reserve has been established to cover significant unanticipated expenses such as insurance deductible, legal fees, unfunded illnesses, and layoff costs, at the Board's discretion.

12. Salary and benefits disclosure

Disclosure of salaries and benefits for municipal officials as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits and Allowances (2)	2025 Total	2024 Total
Chief librarian (1)	**130,020**	**22,127**	**152,147**	146,936
Department heads (4)	**332,745**	**70,589**	**403,334**	303,451
	462,765	**92,716**	**555,481**	450,387

(1) Salary includes regular base pay, lump sum payments, vacation payouts, and any other direct cash remuneration.

(2) Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, as well as long and short-term disability plans.

13. Local Authorities Pension Plan

Employees of The City of Medicine Hat Library Board participate in the Local Authorities Pension Plan (LAPP) which is covered by the Alberta Public Sector Pensions Act. As at December 31, 2024 the Plan serves about 316,938 (2023 - 304,451) people and about 453 (2023 - 444) employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Library is required to make current service contributions to the Plan of 8.45% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 11.65% for the excess. Employees of the Library are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 10.65% of pensionable salary above this amount.

Total current service contributions by the Library for active employees in 2025 were $125,405 (2024 - $122,400). Total current service contributions by the employees in 2025 were $110,975 (2024 - $108,335). As at December 31, 2024 the LAPP disclosed an actuarial surplus of $19.557 billion (2023 - $15.057 billion).

14. Economic dependence

The Library's primary source of revenue comes from the City of Medicine Hat operating grant. The Library's ability to continue viable operations is dependent upon maintaining its compliance with the operating agreement. As at the date of these financial statements the Library believes that it is in compliance with all aspects of the agreement. The Library also uses a building owned by the City of Medicine Hat at no cost.

15. Commitments

The Library is a member of the Shortgrass Regional Library System. As such, they are committed to a yearly per capita levy based on the most recent published census population. In 2025, the levy was $5.08 (2024 - $5.08) per capita resulting in total materials allotment of $321,417 (2024 - $321,361).

16. Contractual rights

Contractual rights are the right of the Library to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts and agreements are met. Estimated amounts that will be received or receivable for the next year are as follows:

	City of Medicine Hat	Province of Alberta	Total
2026	2,666,106	367,237	3,033,343

17. Financial instruments

The Library, as part of its operations, carries a number of financial instruments. It is management's opinion that the Library is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments.

18. Budgeted information

The budget information presented in these financial statements is based upon the 2025 budget approved by the Board of Directors. Amortization was not contemplated in the development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget information reported in the financial statements.

	2025	*2024*
Revenue		
Total budget	**3,215,798**	3,076,006
Expenses		
Total budget		
Add:	**(3,233,163)**	(3,076,006)
Shortgrass Levy	**325,000**	325,000
Total expenses	**(2,908,163)**	(2,751,006)
Excess of revenue over expenses	**307,635**	325,000

The budget was approved by the Board of Directors on September 4, 2024 with the excess of revenue over expenses budgeted for the Library's commitment as noted in Note 15, which is applied to books and other Library resources that are capitalized during the year.

The City of Medicine Hat Library Board
Schedule 1 - Changes in Accumulated Operating Surplus
For the year ended December 31, 2025

	Unrestricted Surplus (Deficit)	Reserves	Invested in Tangible Capital Assets	**2025**	2024
Balance, beginning of year	-	857,666	932,399	**1,790,065**	1,800,824
Deficiency of revenue over expenses	(69,948)	-	-	**(69,948)**	(10,759)
Restricted funds used for operations	-	-	-	**-**	-
Restricted funds used for tangible capital assets	-	(101,211)	101,211	**-**	-
Current year funds used for tangible capital assets	(283,827)	-	283,827	**-**	-
Annual amortization expense	456,546	-	(456,546)	**-**	-
Amortization of spent deferred capital contributions	(1,101)	-	1,101	-	-
Unrestricted funds designated for future use	(101,670)	101,670	-	**-**	-
Change in accumulated operating surplus	-	459	(70,407)	**(69,948)**	(10,759)
Balance, end of year	**-**	**858,125**	**861,992**	**1,720,117**	1,790,065

The City of Medicine Hat Library Board
Schedule 2 - Tangible Capital Assets
For the year ended December 31, 2025

	Building improvements	Furniture, fixtures and equipment	Computer equipment	Books and library collection	**2025**	2024
Cost:						
Balance, beginning of year	1,571,865	564,466	168,864	915,023	**3,220,218**	3,242,317
Additions	92,502	37,054	3,787	251,695	**385,038**	483,206
Disposals	(1,928)	-	(9,635)	-	**(11,563)**	(228,760)
Fully depreciated material in prior year	-	-	-	(286,503)	**(286,503)**	(276,545)
Balance, end of year	1,662,439	601,520	163,016	880,215	**3,307,190**	3,220,218
Accumulated amortization						
Balance, beginning of year	1,133,981	400,496	150,086	592,857	**2,277,420**	2,330,162
Disposals	(1,928)	-	(9,635)		**(11,563)**	(228,760)
Fully depreciated material in prior year	-	-	-	(286,503)	**(286,503)**	(276,545)
Amortization expense	103,834	46,259	13,049	293,404	**456,546**	452,563
Balance, end of year	1,235,887	446,755	153,500	599,758	**2,435,900**	2,277,420
Net book value, end of year	**426,552**	**154,765**	**9,516**	**280,457**	**871,290**	942,798
2024 Net Book Value	437,884	163,970	18,778	322,166	942,798	

The fully depreciated materials in the prior year correspond to the 2022 book purchases.