APPENDIX C

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FINANCIAL INFORMATION

MANAGEMENT REPORT

Management of The City of Red Deer is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and all other information within this financial report. Management believes that the consolidated financial statements present fairly The City's financial position as at December 31, 2025 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation and in accordance with Canadian public sector accounting standards. They include certain amounts based on estimates and judgments. Management determines such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

Management is responsible for maintaining an adequate system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are authorized and assets are properly accounted for and safeguarded. The system is monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

City Council reviews the consolidated financial statements principally through its Audit Committee. The external auditors have full access to the Audit Committee with and without the presence of management. City Council has approved the consolidated financial statements.

KPMG LLP, an independent firm of chartered professional accountants, have been appointed by The City to audit the consolidated financial statements. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their engagement, and their opinion on The City’s consolidated financial statements in accordance with Canadian generally accepted auditing standards.

Tara Lodewyk
City Manager

Sam Mugford
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2025 (in thousands of dollars)

	2025	2024
Financial Assets		
Cash and cash equivalents (Note 2)	**$ 43,568**	$ 17,347
Accounts receivable (Note 3)	**73,370**	53,792
Land ready for sale (Note 4)	**7,888**	9,460
Investments (Note 5)	**171,538**	164,502
Loans receivable (Note 6)	**11,121**	10,818
	307,485	255,919
Liabilities		
Accounts payable and accrued liabilities (Note 7)	**56,873**	57,563
Deposits and other liabilities	**4,117**	4,105
Deferred revenue (Note 8)	**86,022**	85,106
Employee benefit obligations (Note 9)	**14,416**	16,745
Asset retirement obligations (Note 10)	**11,773**	15,139
Long-term debt (Note 11)	**304,477**	286,306
	477,678	464,964
Net Debt	**(170,193)**	(209,045)
Non-Financial Assets		
Tangible capital assets (Schedule 1, Note 13)	**2,259,462**	2,236,843
Land not ready for sale (Note 4)	**35,879**	35,879
Inventory held for use	**4,992**	4,090
Prepaid expenses	**3,232**	4,641
	2,303,565	2,281,453
Accumulated Surplus	**$ 2,133,372**	$ 2,072,408
Accumulated surplus is comprised of:		
Accumulated operating surplus (Schedule 2, Note 15)	**2,132,700**	2,074,189
Accumulated remeasurement gain (loss)	**672**	(1,781)

Contractual rights and obligations (Note 25)
Contingencies (Note 26)
Guarantees (Note 27)
Segmented disclosure (Schedule 3, Note 28)
Related party disclosure (Note 29)
Subsequent event (Note 31)

Approved on behalf of City Council:

Cindy Jefferies, Mayor

Kraymer Barnstable, Councillor

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF OPERATIONS

For the Year Ended December 31, 2025 (in thousands of dollars)

	Budget (Note 30)	2025	2024
Revenues (Schedule 3)			
Net property and other taxes (Note 16)	$ 177,270	**$ 174,903**	$ 156,415
User fees and sale of goods (Note 17)	217,772	**221,764**	205,451
Operating government transfers (Note 18)	18,375	**16,830**	18,399
Investment earnings	3,894	**2,599**	3,739
Fines and penalties	4,763	**5,327**	5,923
Natural gas distribution franchise	10,554	**9,949**	10,105
Licenses and permits	3,453	**4,849**	2,672
Other operating revenue	3,338	**4,600**	4,473
	439,419	**440,821**	407,177
Expenses (Schedule 3, Note 19)			
General government services	64,397	**55,554**	59,746
Protective services and parking	105,945	**102,241**	98,458
Transportation and fleet	94,395	**90,563**	93,199
Public health and planning	17,901	**16,921**	19,413
Recreation, parks, and culture	60,428	**59,861**	59,972
Subdivisions, land, and development	1,936	**2,226**	7,184
Water	24,640	**24,015**	23,062
Wastewater	27,127	**22,649**	22,308
Waste management	14,764	**14,238**	14,822
Electric	59,609	**49,619**	48,042
	471,142	**437,887**	446,206
Annual Operating Surplus (Deficit) before Other	(31,723)	**2,934**	(39,029)
Other (Schedule 3)			
Capital government transfers (Note 18)	45,443	**44,070**	30,576
Contributed tangible capital assets (Note 13)	6,357	**7,699**	1,797
Developer and customer contributions	1,512	**3,678**	2,074
Net effect of annexation	-	**-**	491
Other capital revenue	-	**130**	34
Annual Operating Surplus (Deficit)	21,589	**58,511**	(4,057)
Accumulated Operating Surplus, start of year	2,074,189	**2,074,189**	2,078,246
Accumulated Operating Surplus, end of year	$ 2,095,778	**$ 2,132,700**	$ 2,074,189

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the Year Ended December 31, 2025 (in thousands of dollars)

	2025	2024
Accumulated Remeasurement Loss, start of year	**$ (1,781)**	$ (469)
Unrealized gain (loss) attributable to:		
Embedded derivatives (Note 5)	**672**	(1,781)
Realized losses reclassified to Consolidated Statement of Operations:		
Embedded derivatives (Note 5)	**1,781**	469
Net remeasurement gain (loss) for the year	**2,453**	(1,312)
Accumulated Remeasurement Gain (Loss), end of year	**$ 672**	$ (1,781)

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended December 31, 2025 (in thousands of dollars)

	Budget (Note 30)	**2025**	2024
Annual Operating Surplus (Deficit)	$ 21,589	**$ 58,511**	$ (4,057)
Acquisition of tangible capital assets	(137,627)	**(105,565)**	(115,368)
Contributed tangible capital assets	(6,357)	**(7,699)**	(1,797)
Tangible capital assets received in annexation	-	**-**	(503)
Amortization of tangible capital assets	89,077	**87,414**	84,524
Proceeds on disposal of tangible capital assets	-	**2,689**	1,399
Loss (gain) on disposal of tangible capital assets	-	**542**	(1,011)
	(54,907)	**(22,619)**	(32,756)
Net reduction of land not ready for sale	-	**-**	3,752
Net purchase of inventory held for use	-	**(902)**	(25)
Net reduction of prepaid expenses	-	**1,409**	990
Net remeasurement gain (loss)	-	**2,453**	(1,312)
	-	**2,960**	3,405
(Increase) Decrease in Net Debt	(33,318)	**38,852**	(33,408)
Net Debt, start of year	(209,045)	**(209,045)**	(175,637)
Net Debt, end of year	$ (242,363)	**$ (170,193)**	$ (209,045)

See accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025 (in thousands of dollars)

	2025	2024
Net inflow (outflow) of cash related to the following:		
Operating Activities		
Annual operating surplus (deficit)	**$ 58,511**	$ (4,057)
Non-cash items included in annual operating surplus (deficit):		
Contributed tangible capital assets	**(7,699)**	(1,797)
Tangible capital assets received in annexation	**-**	(503)
Amortization of tangible capital assets	**87,414**	84,524
Loss (gain) on disposal of tangible capital assets	**542**	(1,011)
Accretion on asset retirement obligations	**296**	242
Change in estimate for asset retirement obligations	**(5)**	(106)
Non-cash charges to operations:		
Accounts receivable	**(19,578)**	8,362
Land ready for sale	**1,572**	(472)
Loans receivable	**(303)**	6,760
Accounts payable and accrued liabilities	**(690)**	3,100
Deposits and other liabilities	**12**	397
Deferred revenue	**916**	(3,991)
Employee benefit obligations	**(2,329)**	638
Land not ready for sale	**-**	3,752
Inventory held for use	**(902)**	(25)
Prepaid expenses	**1,409**	990
	119,166	96,803
Capital Activities		
Acquisition of tangible capital assets (Note 13)	**(109,105)**	(110,541)
Proceeds on disposal of tangible capital assets	**2,689**	1,399
Asset retirement obligations settled	**(117)**	(120)
	(106,533)	(109,262)
Investing Activities		
Investments purchased	**(74,723)**	(42,760)
Investments redeemed	**70,140**	69,629
	(4,583)	26,869
Financing Activities		
Long-term debt issued	**37,527**	17,565
Long-term debt repaid	**(19,356)**	(21,439)
	18,171	(3,874)
Change in cash and cash equivalents during the year	**26,221**	10,536
Cash and cash equivalents, start of year	**17,347**	6,811
Cash and cash equivalents, end of year (Note 2)	**$ 43,568**	$ 17,347

See accompanying Notes to the Consolidated Financial Statements

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the Year Ended December 31, 2025 (in thousands of dollars)

	Land	Land Improvements	Buildings	Machinery, Equipment, and Furnishings	Vehicles	Engineered Structures	Assets Under Construction	**2025**	2024
Cost:									
Balance, start of year	$ 373,202	$ 170,914	$ 464,666	$ 144,576	$ 78,978	$ 2,373,887	$ 89,198	**$ 3,695,421**	$ 3,586,040
Acquisition and contributions of tangible capital assets	2,220	6,950	3,458	12,619	11,073	72,755	4,189	**113,264**	117,668
Disposal of tangible capital assets	(2,027)	-	(1,095)	(8,430)	(4,989)	(1,563)	-	**(18,104)**	(8,287)
Balance, end of year	373,395	177,864	467,029	148,765	85,062	2,445,079	93,387	**3,790,581**	3,695,421
Accumulated Amortization:									
Balance, start of year	-	(83,030)	(188,735)	(93,226)	(43,820)	(1,049,767)	-	**(1,458,578)**	(1,381,953)
Amortization of tangible capital assets	-	(6,216)	(13,210)	(8,337)	(6,178)	(53,473)	-	**(87,414)**	(84,524)
Accumulated amortization on disposals	-	-	964	8,290	4,860	759	-	**14,873**	7,899
Balance, end of year	-	(89,246)	(200,981)	(93,273)	(45,138)	(1,102,481)	-	**(1,531,119)**	(1,458,578)
Net book value of tangible capital assets	**$ 373,395**	**$ 88,618**	**$ 266,048**	**$ 55,492**	**$ 39,924**	**$ 1,342,598**	**$ 93,387**	**$ 2,259,462**	$ 2,236,843
2024 Net Book Value of Tangible Capital Assets	$ 373,202	$ 87,884	$ 275,931	$ 51,350	$ 35,158	$ 1,324,120	$ 89,198	$ 2,236,843	

See accompanying Notes to the Consolidated Financial Statements (Note 13)

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF CHANGE IN ACCUMULATED OPERATING SURPLUS

For the Year Ended December 31, 2025 (in thousands of dollars)

	Unrestricted deficit	Reserves	Equity in Tangible Capital Assets	**2025**	2024
Balance, start of year	**$ (52,320)**	**$ 159,290**	**$ 1,967,219**	**$ 2,074,189**	$ 2,078,246
Annual operating surplus (deficit)	58,511	-	-	**58,511**	(4,057)
Unrestricted funds designated for future use	(134,612)	134,612	-	**-**	-
Reserve funds used for operations	62,489	(62,489)	-	**-**	-
Reserve funds used for tangible capital assets	-	(55,410)	55,410	**-**	-
Current year funds used for tangible capital assets	(50,155)	-	50,155	**-**	-
Contributed tangible capital assets	(7,699)	-	7,699	**-**	-
Disposal of tangible capital assets	3,231	-	(3,231)	**-**	-
Amortization of tangible capital assets	87,414	-	(87,414)	**-**	-
Asset retirement obligations incurred	15	-	(15)	-	-
Asset retirement obligations settled	(117)	-	117	-	-
Change in estimate for asset retirement obligations	(3,560)	-	3,560	-	-
Accretion of asset retirement obligations	296	-	(296)	-	-
Long term debt related to tangible capital assets issued	37,527	-	(37,527)	**-**	-
Long term debt related to tangible capital assets repaid	(15,264)	-	15,264	**-**	-
Change in accumulated operating surplus	38,076	16,713	3,722	**58,511**	(4,057)
Balance, end of year	**$ (14,244)**	**$ 176,003**	**$ 1,970,941**	**$ 2,132,700**	$ 2,074,189

See accompanying Notes to the Consolidated Financial Statements (Note 15)

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 31, 2025 (in thousands of dollars)

	General government services	Protective services and parking	Transportation and fleet	Public health and planning	Recreation, parks, and culture	Subdivisions, land, and development	Water	Wastewater	Waste management	Electric	**Total**
Revenues											
Net property and other taxes	$ 13,652	$ 76,644	$ 38,765	$ 6,990	$ 38,852	$ -	$ -	$ -	$ -	$ -	**$ 174,903**
User fees and sale of goods	715	19,719	7,061	1,674	11,345	7,952	37,152	39,133	17,449	79,564	**221,764**
Operating government transfers	2,087	5,459	637	7,485	1,162	-	-	-	-	-	**16,830**
Investment earnings	2,397	-	-	21	180	1	-	-	-	-	**2,599**
Fines and penalties	1,221	3,506	-	-	82	40	157	129	55	137	**5,327**
Natural gas distribution franchise	9,949	-	-	-	-	-	-	-	-	-	**9,949**
Licenses and permits	-	4,146	672	31	-	-	-	-	-	-	**4,849**
Other operating revenue	656	948	302	83	513	18	104	71	1,852	53	**4,600**
	30,677	110,422	47,437	16,284	52,134	8,011	37,413	39,333	19,356	79,754	**440,821**
Expenses (Note 19)											
Salaries, wages, and benefits	29,064	59,680	30,666	4,570	31,976	464	6,648	6,327	1,182	7,195	**177,772**
Contracted services	12,981	4,211	7,363	1,692	6,191	408	1,765	3,042	12,060	6,353	**56,066**
Materials and supplies	1,424	1,961	9,765	391	5,559	1,279	4,156	3,345	56	30,078	**58,014**
Purchases from other governments	-	32,308	-	-	-	-	-	-	-	-	**32,308**
Grants to organizations	17	-	1,621	8,510	2,687	-	-	-	-	-	**12,835**
Financial charges	7,991	117	564	1	206	75	1,442	429	19	397	**11,241**
Amortization	3,093	3,711	41,749	212	13,318	-	9,756	9,472	744	5,359	**87,414**
Accretion expense	4	2	-	-	177	-	-	-	113	-	**296**
Other expenses	980	251	(1,165)	1,545	(253)	-	248	34	64	237	**1,941**
	55,554	102,241	90,563	16,921	59,861	2,226	24,015	22,649	14,238	49,619	**437,887**
Annual operating surplus (deficit) before other	(24,877)	8,181	(43,126)	(637)	(7,727)	5,785	13,398	16,684	5,118	30,135	**2,934**
Other											
Capital government transfers	753	698	28,986	-	7,089	-	-	4,756	-	1,788	**44,070**
Contributed tangible capital assets	-	-	6,262	-	-	-	813	624	-	-	**7,699**
Developer and customer contributions	-	-	1,070	-	109	-	433	12	-	2,054	**3,678**
Other capital revenue	-	-	130	-	-	-	-	-	-	-	**130**
Annual operating surplus (deficit)	**$ (24,124)**	**$ 8,879**	**$ (6,678)**	**$ (637)**	**$ (529)**	**$ 5,785**	**$ 14,644**	**$ 22,076**	**$ 5,118**	**$ 33,977**	**$ 58,511**

See accompanying Notes to the Consolidated Financial Statements (Note 28)

SCHEDULE 3 - CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURE

For the Year Ended December 30, 2024 (in thousands of dollars)

	General government services	Protective services and parking	Transportation and fleet	Public health and planning	Recreation, parks, and culture	Subdivisions, land, and development	Water	Wastewater	Waste management	Electric	**Total**
Revenues											
Net property and other taxes	$ 20	$ 73,216	$ 36,979	$ 7,856	$ 38,344	$ -	$ -	$ -	$ -	$ -	**$ 156,415**
User fees and sale of goods	341	21,210	6,304	920	12,057	3,389	34,203	36,552	18,747	71,728	**205,451**
Operating government transfers	1,492	4,991	537	10,359	1,020	-	-	-	-	-	**18,399**
Investment earnings	2,021	-	509	66	351	72	42	219	248	211	**3,739**
Fines and penalties	1,055	4,313	-	-	82	-	148	130	58	137	**5,923**
Natural gas distribution franchise	10,105	-	-	-	-	-	-	-	-	-	**10,105**
Licenses and permits	-	2,525	115	32	-	-	-	-	-	-	**2,672**
Other operating revenue	740	899	1,613	32	595	13	94	58	429	-	**4,473**
	15,774	107,154	46,057	19,265	52,449	3,474	34,487	36,959	19,482	72,076	**407,177**
Expenses (Note 19)											
Salaries, wages, and benefits	28,410	53,497	29,495	4,399	31,735	526	6,347	6,253	1,406	6,770	**168,838**
Contracted services	10,794	5,338	9,470	1,021	4,993	166	1,814	2,602	12,342	4,979	**53,519**
Materials and supplies	1,766	2,045	12,513	431	6,640	6,372	4,097	3,565	64	30,390	**67,883**
Purchases from other governments	-	33,631	-	-	-	-	-	-	-	-	**33,631**
Grants to organizations	7,926	-	1,671	13,348	3,165	-	-	-	-	-	**26,110**
Financial charges	7,499	96	482	-	192	120	1,255	529	15	334	**10,522**
Amortization	3,257	3,634	39,600	192	13,021	-	9,549	9,359	948	4,964	**84,524**
Accretion expense	4	3	-	-	107	-	-	-	128	-	**242**
Other expenses	90	214	(32)	22	119	-	-	-	(81)	605	**937**
	59,746	98,458	93,199	19,413	59,972	7,184	23,062	22,308	14,822	48,042	**446,206**
Annual operating surplus (deficit) before other	(43,972)	8,696	(47,142)	(148)	(7,523)	(3,710)	11,425	14,651	4,660	24,034	**(39,029)**
Other											
Capital government transfers	626	1,386	18,967	-	498	-	-	9,099	-	-	**30,576**
Contributed tangible capital assets	-	-	1,225	-	-	-	465	107	-	-	**1,797**
Developer and customer contributions	-	-	557	-	478	-	318	11	-	710	**2,074**
Net effect of restructuring transactions	(12)	-	503	-	-	-	-	-	-	-	**491**
Other capital revenue	-	-	3	-	31	-	-	-	-	-	**34**
Annual surplus (deficit)	**$ (43,358)**	**$ 10,082**	**$ (25,887)**	**$ (148)**	**$ (6,516)**	**$ (3,710)**	**$ 12,208**	**$ 23,868**	**$ 4,660**	**$ 24,744**	**$ (4,057)**

See accompanying Notes to the Consolidated Financial Statements (Note 28)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2025 (in thousands of dollars)

1 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

The consolidated financial statements (the "financial statements") of The City of Red Deer ("The City") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS").

(b) Reporting Entity

The financial statements reflect the assets, liabilities, revenues and expenses, changes in reserve balances, and change in financial position of the reporting entity. This entity is comprised of the municipal operations as well as all the organizations and committees that are controlled and therefore, accountable to City Council for the administration of their financial affairs and resources. They include the following:

City Municipal and Utility Operations

- General government services;
- Protective services and parking;
- Transportation and fleet;
- Public health and planning;
- Recreation, parks, and culture;
- Subdivisions, land, and development;
- Water;
- Wastewater;
- Waste management; and
- Electric.

City Controlled Societies and Boards

- Red Deer Public Library;
- Red Deer Downtown Business Association; and
- Red Deer River Bend Golf & Recreation Society ("River Bend Golf Course").

Interdepartmental and inter-entity transactions and balances are eliminated on consolidation.

(c) Revenue Recognition

All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Revenues are accounted for in the period in which they are earned and measurable. Revenue items are generally recurring in nature except for other revenue such as sponsorships, donations, recoveries, and gain on disposal of tangible capital assets.

i. Net property and other taxes

Property tax revenue is based on market value assessments determined in accordance with the Municipal Government Act ("MGA") and tax rates established annually by City Council. Taxation revenues are recorded at the time the tax billings are issued, except for local improvement taxes which are recognized as revenue in the year the capital project is completed and the Local Improvement Bylaw is approved. Assessments may change due to appeal or as a result of adjustments made by assessors to correct errors or omissions. Gains or losses on assessment changes or appeals are recorded as adjustments to tax revenue and tax receivables when a written decision is received from the authorized board or a change is generated by authorized assessment staff. Tax revenue is reported net of requisitions for education and other external organizations that are not part of the municipal reporting entity.

ii. User fees and sale of goods

User fees are recognized over the period of use and sales of goods are recognized when the goods are delivered.

iii. Government transfers

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with The City's actions and communications as to the use of the transfer, have not been met. These transfers are recognized as revenue as the terms are met and, when applicable, The City complies with its communicated use of the transfer. Government transfers without terms for the use of the transfer are recorded as revenue when The City is eligible to receive the funds.

iv. Investment earnings

Investment earnings includes interest income and realized gains or losses on the sale of portfolio investments. Interest income is recognized as revenue in the period it is earned and realized gains or losses are recognized on the date of disposition. When required by an external funder, investment income earned on unspent funds is allocated to the deferred revenue balance.

v. Fines and penalties

Fines and penalties have no performance obligations. They are recognized at their realizable value when The City has the authority to claim or retain an inflow of economic resources and a past transaction or event giving rise to an asset has occurred.

vi. Natural gas distribution franchise

Franchise revenue for the natural gas distribution area is recognized based on a percentage of the delivery tariff of natural gas distributed.

vii. Licenses and permits

Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance. Those which result in a continued performance obligation over time are recognized over the period that the performance obligation is satisfied.

viii. Developer and customer contributions

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

Developer contributions received from third parties are recognized as revenue when the related expenditures have been incurred. Offsite levy revenue from external developers is deferred in the appropriate offsite deferred revenue account and recognized as revenue as The City constructs the related offsite basins.

(d) Expenses

Expenses are reported on an accrual basis and are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay. Grants to organizations are recorded as expenses when the transfer is authorized and eligibility criteria has been met by the recipient.

(e) Measurement Uncertainty

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

Financial statement areas requiring the use of management estimates include:

- allowance for doubtful accounts receivable;
- provisions for impairment of investments;
- present value of loans receivable;
- liabilities for contaminated sites;
- employee benefit obligations;
- asset retirement obligations;
- useful lives of carrying value of tangible capital assets;
- fair value of contributed tangible capital assets; and
- valuation of inventory for use and land held for sale.

(f) Financial Instruments

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

FINANCIAL INSTRUMENT	MEASUREMENT
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost and net recoverable value
Short-term deposits	Amortized cost
Bond investments	Amortized cost
Embedded derivatives	Fair value
Loans receivable	Lower of amortized cost and net realizable value
Accounts payable and accrued liabilities	Cost
Deposits and other liabilities	Cost
Long-term debt	Amortized cost

Financial instruments measured at cost or amortized cost are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations. Any write-downs resulting from impairment are not reversed for subsequent increases in value.

i. Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposits with financial institutions including bank indebtedness and highly liquid investments with original term to maturity of three months or less.

ii. Investments

Short term deposits and bond investments are carried at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Transaction costs, including bond premiums and discounts are adjusted through the cost of the financial instrument and amortized on a straight-line basis over the term of the respective investments.

Bond investments with embedded derivatives are carried at fair value with transaction costs expensed as incurred. Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses. When the investment is disposed, the accumulated gains or losses are reclassified to the Statement of Operations. The City estimates fair value by using the following hierarchy:

- Level 1 - Unadjusted quoted market prices in an active market for identical assets.
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets in inactive markets or market date for substantially the full term of the assets.
- Level 3 - Unobservable inputs that are supported by little or no market activity but are significant to the fair value of the assets.

iii. Loans Receivable

Loans receivable are initially recognized at cost. Subsequently, loans receivable is recorded at the lower of amortized cost and net realizable value, when the risk of loss exists. Changes in the valuation of loans receivable are recognized in the Consolidated Statement of Operations. Interest is accrued to the extent it is deemed collectable. When the terms associated with a loan are considered to be concessionary such that all or a part of the loan is considered to be a grant, The City will expense the grant portion of the transaction in the Consolidated Statement of Operations at the time the loan is made.

iv. Long-term Debt

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

(g) Foreign Currency Translation

Foreign currency transactions are translated at the exchange rate prevailing at the date the transactions occur. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date.

Unrealized foreign exchange gains and losses on bank accounts denominated in United States dollars are recognized in the Consolidated Statement of Operations.

(h) Local Improvement Charges

Construction costs associated with local improvement projects are recovered through annual tax levies collectible from property owners for work performed by The City. Taxpayers may elect to pay over a number of years or immediately prepay the outstanding local improvement charges.

(i) Land Ready for Sale

Land ready for sale is recorded at the lower of cost or net realizable value. Cost includes the acquisition costs of the land and the improvements required to prepare the land for servicing such as clearing, stripping, and leveling. Land ready for sale is land inventory that is in condition to be sold, is marketed for sale, and is reasonably anticipated to be sold within one year.

(j) Requisition Over-levy and Under-levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. If the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(k) Employee Benefit Obligations

The cost of employment benefits, termination benefits, and compensated absences that do not accumulate or vest are recorded as an expense in the period in which the event giving rise to the obligation occurs. The cost of compensated absences that accumulate but do not vest are actuarially determined using management's best estimate of salary escalations and the extent of accumulated benefits to be used by employees.

Post retirement benefits are recognized when earned by the plan members. Costs are actuarially determined using the projected benefit method prorated on services, applying management's best estimate of expected salary escalations and retirement age of employees.

City employees participate in multi-employer pension plans sponsored by third parties. Contributions to multi-employer plans for current and past service are recorded as expense in the year in which they become due. The City's share of plan surplus or deficiencies is not determinable and therefore are not recorded in these financial statements.

(l) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment. A contaminant can be a chemical, organic or radioactive material, or live organism. A liability for remediation of a contaminated site is recognized when the contamination exceeds an environmental standard, The City accepts responsibility for the remediation, expected future economic benefits will be given up, and a reasonable estimate for remediation can be made. The liabilities are measured using management's estimate of the undiscounted cost of remediation, including operation, maintenance, and monitoring, net of any expected recoveries.

(m) Asset Retirement Obligations

An asset retirement obligation is recognized when there is a legal obligation for The City to incur costs upon the retirement of a tangible capital asset; the asset has been acquired or the legal obligation comes into effect, whichever is later; The City is expected to give up future economic benefits; and a reasonable estimate for retirement costs can be made.

The estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at the measurement date. These retirement activities would include landfill closure and post-closure care, removal of asbestos, and other decommissioning costs. The estimated cash flows related to these retirement activities are discounted using a present value technique when the cash flows required to settle the liability occur over an extended period of time. The liability is then adjusted annually for accretion expense.

When an asset retirement obligation is initially recognized, a corresponding increase in the respective tangible capital assets occurs and then amortized over its useful life. Changes to the retirement cost estimate arising from revisions to the discount rate or undiscounted cash flows are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. Where a reduction in the liability estimate exceeds the carrying amount of the related assets, the difference is expensed in the Consolidated Statement of Operations.

(n) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the Consolidated Change in Net Debt.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. Government contributions for the acquisition of tangible capital assets are reported as revenue and do not reduce the related tangible capital asset costs.

The cost, less residual value of the tangible capital assets, excluding land and landfill cells, are amortized on a straight-line basis over the estimated useful life as follows:

ASSET TYPE	Years
Land improvements	7-50
Buildings	10-50
Machinery, equipment, and furnishings	3-40
Vehicles	8-18
Engineered structures	
Roadway system	7-90
Water system	7-75
Wastewater system	7-75
Storm system	45-75
Electrical system	20-40
Fibre optics system	30

Amortization begins in the month the tangible capital asset is placed in service and ends in the month the tangible capital asset is disposed. Tangible capital assets under construction or development are reported as assets under construction with no amortization recorded until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to The City's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. Write-downs are accounted for as expenses in the Consolidated Statement of Operations.

ii. Contributed Tangible Capital Assets

Tangible capital assets received as contributions such as privately developed subdivisions including water systems, sanitary systems, storm systems, roads, and landscaping are recorded at their fair value at the date of completion and recorded as revenue on the Consolidated Statement of Operations. If an estimate of fair value cannot be made, the contributed tangible capital assets are recorded at a nominal value.

iii. Tangible Capital Assets Received in a Restructuring Transaction

Tangible capital assets acquired through a restructuring transaction such as an annexation are recorded at their carrying amount at the restructuring date and recorded as revenue on the Consolidated Statement of Operations.

iv. Cultural and Historical Tangible Capital Assets

Works of art for display, archived municipal records, and municipal historical artifacts are not recorded as tangible capital assets because a reasonable estimate of the future economic benefits associated with such property cannot be made. Acquisitions of cultural and historical assets are expensed in the period the related costs are incurred.

v. Intangible Assets

Purchased intangible assets are initially recorded at cost and amortized on a straight-line basis over their useful life. Purchased intangible assets with indefinite useful lives are not amortized and reviewed annually for impairment. When conditions indicate that an intangible asset no longer contributes to The City's ability to provide goods and services or when the value of future economic benefits are less than its net book value, the intangible asset is written down. Write-downs are accounted for as expenses in the Consolidated Statement of Operations. Intangible assets that have been contributed, inherited, or internally developed are not recognized in these financial statements. Development costs are expensed as they are incurred.

vi. Leases

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

vii. Land Not Ready for Sale

Land not ready for sale is recorded at the lower of cost and net realizable value. Cost includes the acquisition of the land and the improvements required to prepare the land for servicing such as clearing, stripping, and leveling. Land not ready for sale is held for future development and is not reasonably anticipated to be sold within one year.

viii. Inventory Held for Use

Inventories held for use are recorded at lower of weighted average cost and replacement cost.

(o) Reserves

Certain amounts, as approved by City Council, are set aside in accumulated surplus for future operating and capital purposes. Transfers to or from reserves are adjustments to the respective fund when approved.

(p) Future Accounting Pronouncements

The following summarizes upcoming changes to PSAS.

i. Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework provides guidance and highlights considerations fundamental for the application of consistent concepts in the absence of specific standards. It replaces conceptual aspects of section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*. The framework also sets out the objectives of the financial reporting, qualitative characteristics of financial information, definitions of elements, and concepts related to recognition, measurement, presentation, and disclosure. The Conceptual Framework will be effective for fiscal periods beginning on or after April 1, 2026.

ii. Financial Statement Presentation

PS 1202, *Financial Statement Presentation*, introduces a new financial reporting model for public sector entities and replaces section PS 1201, *Financial Statement Presentation*. The standard sets out general and specific requirements for the presentation of information in general purpose financial statements, including changes to the structure and content of the financial statements, updated terminology and enhanced minimum presentation requirements. Changes to financial statement presentation include but are not limited to:

- removing the net debt from the Statement of Financial Position and presenting it on its own statement
- introducing financial and non-financial liability categories in the Statement of Financial Position
- moving non-financial assets to follow financial assets on the Statement of Financial Position
- proposing a Statement of Changes in Net Assets that will combine with the Statement of Remeasurement Gains and Losses

This new standard must be adopted concurrently with the Conceptual Framework. Management is continuing to asses the impact of these new standards on the financial statements.

iii. Employee Benefits

PS 3251, *Employee Benefits*, is a new section that establishes standards for the recognition, measurement, presentation, and disclosure for all employee benefits. It will replace PS 3250, *Retirement Benefits* and PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*. Management is currently assessing the impact of the adoption of these standards on its financial statements. This section will apply to fiscal years beginning on or after April 1, 2029.

2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of:

		2025		2024
Cash	**$**	**37,253**	$	11,299
Restricted Cash - Canada Community Building Fund		**6,157**		5,962
Cash in investment accounts		**158**		86
	$	**43,568**	$	17,347

The City has access to an unsecured line of credit of up to $41,583 (2024 - $22,000) with an interest rate of prime minus 0.75%, resulting in an effective rate of 3.70% (2024 - 4.70%) to cover any cash flow shortfalls arising from day to day operations. As at December 31, 2025, there was no amount outstanding on the line of credit (2024 - $Nil).

3 ACCOUNTS RECEIVABLE

	2025	2024
Property Taxes:		
Current taxes and grants in place of taxes	$ 3,640	$ 2,634
Arrears	487	730
Local improvement levies	2,239	2,462
Allowance for doubtful accounts	(893)	(199)
	5,473	5,627
Trade and Other:		
Government transfers	39,297	17,529
Utilities	18,347	17,721
Trade	5,556	6,218
Interest on investments	1,698	4,120
Goods and Services Tax	1,276	1,360
Requisition under-levy	12	15
Other receivables	1,883	1,393
Allowance for doubtful accounts	(172)	(191)
	67,897	48,165
	$ 73,370	$ 53,792

Included in government transfers receivable is $28,538 related to 2024 and 2025 allocations for Local Government Fiscal Framework and $6,175 related to 2025 allocation for Canada Community Building Fund not yet received.

4 LAND HELD FOR SALE

	2025	2024
Residential	$ 933	$ 1,246
Industrial and commercial	6,955	8,214
Land ready for sale	7,888	9,460
Residential	21,871	21,871
Industrial and commercial	14,008	14,008
Land not ready for sale	35,879	35,879
	$ 43,767	$ 45,339

5 INVESTMENTS

	2025		2024	
	Carrying value	**Market value**	Carrying value	Market value
Carried at amortized cost:				
Short-term deposits	**$ 25,515**	**$ 25,654**	$ 25,648	$ 25,737
Federal bonds	**14,711**	**14,718**	26,183	26,549
Provincial bonds	**15,544**	**14,874**	20,217	19,378
Municipal bonds	**2,305**	**2,157**	2,225	2,107
Canadian bank bonds	**67,470**	**64,522**	51,022	46,769
Corporate bonds	**1,314**	**1,200**	8,370	8,476
Other securities	**90**	**90**	228	228
Carried at fair value:				
Principal protected notes	**44,589**	**44,589**	30,609	30,609
	$ 171,538	**$ 167,804**	$ 164,502	$ 159,853

Short-term deposits are reasonably liquid investments held in Canadian Treasury Bills and Guaranteed Income Certificates. These investments are intended to be held in the short term with maturities ranging from February 11, 2026 to August 11, 2026 (2024 - May 12, 2025 to August 11, 2026) and have interest rates of 2.30% to 5.30% (2024 - 0.00% to 5.30%).

The remaining investments are intended to be held long term. They have interest rates of 0.50% to 7.00% (2024 - 0.50% to 8.00%) and mature in periods from March 10, 2026 to February 15, 2060 (2024 - February 5, 2025 to February 15, 2060). Any declines in market value below carrying value are considered temporary based on management's analysis, and therefore no write-downs have been recognized.

The City owns principal protected notes that have embedded derivatives and are adjusted to their fair value each year. As these notes are not quoted in an active market, the bid price was used to arrive at the fair value (i.e. Level 2 fair value hierarchy). These notes have maturity dates ranging from June 18, 2032 to November 5, 2035 (2024 - September 2, 2032 to November 1, 2034). An unrealized gain of $672 (2024 - $1,781 loss) has been recognized in the Consolidated Statement of Remeasurement Gains and Losses. Realized losses of $1,781 (2024 - $469) have been reclassified to the Consolidated Statement of Operations.

6 LOANS RECEIVABLE

	2025	2024
Westerner Exposition Association	**$ 10,665**	$ 10,317
Central Alberta Humane Society	**456**	501
	$ 11,121	$ 10,818

Expected principal payments are as follows:	
2026	$ 46
2027	48
2028	1,049
2029	51
2030	53
Thereafter	18,919
Grant portion of loan payments	(9,045)
	$ 11,121

(a) Westerner Exposition Association

The City entered into a loan agreement with the Westerner Exposition Association ("The Westerner"). The term of the loan is 30 years ending September 29, 2051 and is receivable in three tranches:

i. Tranche 1 is $10,000 with payments calculated at 50% earnings before interest, taxes, depreciation, and amortization ("EBITDA") of the previous fiscal year with payments not exceeding $500. Tranche 1 bears interest of 2.616% and is calculated using the simple interest method. Payments are deferred if The Westerner's current ratio falls below 1:1 until March 31, 2027.

ii. Tranche 2 is $9,000 with payments calculated as a percentage of annual EBITDA, commencing at 0% of EBITDA up to $1,000, 75% of EBITDA between $1,000 and $2,000, 90% of EBITDA between $2,000 and $3,000, and 100% of EBITDA over $3,000. Tranche 2 bears no interest. Payments are deferred if The Westerner's current ratio falls below 1:1 until Mach 31, 2027.

iii. Tranche 3 is a line of credit of $1,000 that bears interest of 4.910% and is calculated using the simple interest method. As of December 31, 2025, The Westerner has drawn $1,000 (2024 - $1,000) on the line of credit with The City. The entire amount plus accrued interest is due on April 1, 2028.

The City recognized a grant portion of tranches 1 and 2 at their present value using a discount rate of 2.616%. The unamortized grant portion of the loan as of December 31, 2025 is $9,045 (2024 - $9,393). On January 13, 2025, City Council approved a bylaw amendment to suspend principal and interest payments on tranches 1 and 2 from August 1, 2024 to April 1, 2027.

The City holds a general security agreement for all present and after acquired personal property of The Westerner, which includes a first-priority fixed charge totalling $23,000 over the lease of the real property, an assignment of rents over all property held under the mortgage lease, including assignments of fire and other perils insurance.

For information on other transactions between The City and The Westerner, see Note 29.

(b) Central Alberta Humane Society

The City provided a loan to Central Alberta Humane Society for the construction of a new facility. The term of the loan is 25 years ending October 1, 2034 and bears interest at 3.600% per annum.

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade	**$ 33,839**	$ 41,027
Payroll and remittances	**15,031**	7,905
Liability for contaminated sites	**6,034**	7,020
Accrued interest on long term debt	**1,479**	1,179
Goods and Services Tax	**484**	411
Requisition over-levy	**-**	12
Other	**6**	9
	$ 56,873	$ 57,563

(a) Liability for contaminated sites

The City owns properties that have undergone environmental site assessments. Where the assessments identified environmental contamination, liabilities for future environmental remediation were established.

Remediation activity for each contaminated site is as follows:

	2024	Remediation costs expended	2025
Arenas	$ 4,280	$ (510)	**$ 3,770**
Parking Lots	1,094	(153)	**941**
Water treatment plant (Note 26)	840	-	**840**
Streets and right of ways (Note 26)	294	-	**294**
Capstone	489	(323)	**166**
Fire training facility	23	-	**23**
	$ 7,020	$ (986)	**$ 6,034**

(b) Payroll and remittances

Payroll and remittances includes collective agreements ratified in 2026 that resulted in retro-pay adjustments. Estimated salary and benefit increases from 2023 to 2025 have been accrued in the amount of $9,293.

8 DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted or subject to stipulations from the funders.

Deferred Government Transfers	2024	Additions	Interest earned	Reductions	**2025**
Municipal Sustainability Initiative	$ 21,957	$ -	$ 643	$ (8,613)	**$ 13,987**
Local Government Fiscal Framework	13,208	16,719	-	(17,355)	**12,572**
Canada Community Building Fund	10,556	6,175	220	(5,455)	**11,496**
Water for Life	12,927	-	462	(4,723)	**8,666**
Housing Accelerator Fund	-	3,129	68	-	**3,197**
Outreach Support Services Initiative	492	1,097	13	(1,123)	**479**
Reaching Home	542	1,833	5	(2,270)	**110**
Family and Community Support Services	88	3,248	-	(3,237)	**99**
Other government transfers	2,144	8,703	113	(8,175)	**2,785**
	61,914	40,904	1,524	(50,951)	**53,391**
Other Deferred Revenue					
Developer and customer contributions	15,082	3,213	538	(3,678)	**15,155**
Recreation amenity	2,470	-	108	-	**2,578**
Other	5,640	15,760	35	(6,537)	**14,898**
	23,192	18,973	681	(10,215)	**32,631**
	$ 85,106	$ 59,877	$ 2,205	$ (61,166)	**$ 86,022**

Additions to deferred revenue include the 2025 capital allocations for Local Government Fiscal Framework of $15,330 (2024 - $13,208) and Canada Community Building Fund of $6,175, which have not been received and are accrued as government transfer receivable.

9 EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Vacation, overtime, and earned days off	**$ 8,649**	$ 8,330
Sick pay entitlements	**2,735**	5,186
Retiring allowance	**3,032**	3,229
	$ 14,416	$ 16,745

(a) Vacation, overtime, and earned days off

The liability is comprised of vacation, overtime, and earned days off that employees defer to future years. Employees are entitled to these benefits within the next fiscal year.

(b) Sick pay entitlements

Employees accumulate sick day entitlements up to maximums set in the various union agreements that may be used for casual or short term benefits. Employees are also eligible for Employee Disability Support Plan ("EDSP") and Sick Plan benefits for longer-term disability after ten consecutive working days from sick incident. These programs do not vest. An actuarial valuation was completed by an independent actuary as at December 31, 2025. Actuarial assumptions were used to determine the sick pay entitlement obligation. These assumptions include an expected discount rate of 3.70% and expected salary escalations of 2.75%. The accrued benefit obligation before estimated employer benefits are applied is $2,025. Sick pay entitlements are not currently funded.

(c) Retiring allowance

For employees who are eligible under the Local Authorities Pension Plan and have a minimum of 15 years of service, The City provides a retiring allowance. This allowance provides eligible employees with one day of vacation pay for each year of employment with The City. An actuarial valuation was completed by an independent actuary as at December 31, 2024 and extrapolated to December 31, 2026. Key actuarial assumptions used to determine the accrued benefit obligation. These assumptions include an expected discount rate of 4.60% (2024 - 4.60%) and the expected salary escalations of 2.75% (2024 - 2.75%). The accrued benefit obligation is $2,865 (2024 - $3,036) with a net actuarial gain of $167 (2024 - $193), amortized on a straight line basis over 11 years starting with the year following its determination. The retiring allowance is not currently funded.

10 ASSET RETIREMENT OBLIGATIONS

The following summarizes the total net present value for the estimated costs of The City's asset retirement obligations:

		2025		2024
Estimated retirement liability, start of year	**$**	**15,139**	$	10,296
Liabilities incurred		**15**		4,827
Liabilities settled		**(117)**		(120)
Change in estimate		**(3,560)**		(106)
Accretion expense		**296**		242
Estimated retirement liability, end of year	**$**	**11,773**	$	15,139

The City has not designated assets for settling its asset retirement obligations.

(a) Landfill closure and post-closure

Pursuant to the Alberta Environmental Protection and Enhancement Act, The City is required to fund the closure of its landfill sites and provide for post-closure care. Closure and post-closure activities include the final clay cover, landscaping, surface and ground water monitoring, leachate control, and visual inspection. The reported liability is recognized when the landfill site starts accepting waste and is based on estimates and assumptions using the best information available to management. Discounted future cash flows for closure and post-closure costs are calculated using a discount rate of 2.75% (2024 - 2.50%) and an inflation rate of 3.64% (2024 - 3.46%).

i. The 1972 site stopped accepting waste in 2002. Estimated post-closure care is required for a period of 40 years from the time of closure. Undiscounted annual post-closure costs are estimated to be $86 per year, increasing at the annual inflation rate until 2042. The present value of estimated future post-closure costs accrued is $2,134 (2024 - $2,132).

ii. The current waste management facility commenced operation in 2001 and consists of three phases of development. All three phases combined are estimated to provide capacity to 2055. Phase one of the site is projected to last until 2037 based on current growth and usage. It is estimated that post closure care will be required for a period of 40 years from closure. Undiscounted future cash flows expected at time of closure will be $5,311 (2024 - $9,403) with annual post-closure costs to be $71 per year, increasing at the annual inflation rate until 2076 (2024 - 2075). The present value of estimated future closure and post closure costs accrued is $7,982 (2024 - $11,537).

(b) Asbestos abatement and other retirement obligations

Liabilities associated with other asset retirement obligations are estimated using The City's long term investment rate of 1.41% (2024 - 1.96%) as the discount rate and an annual inflation rate of 3.48% (2024 - 3.27%). The remaining useful life of the related tangible capital asset is used to approximate the estimated date of retirement for those where the date is not otherwise known by management.

i. The City owns various buildings that contain asbestos of which a legal obligation exists to perform abatement activities upon renovation or demolition. Abatement activities include handling and disposing of asbestos in a prescribed manner when it is disturbed. Total undiscounted future cash flows expected in the estimated year of abatement, which range from 2026 to 2063, is $1,160 (2024 - $1,141). The present value of estimated future cost of the abatement activities is $1,054 (2024 - $985).

ii. The City owns a number of water wells, one underground fuel tank, and four ammonia ice plants, and is legally obligated to remove them when they are no longer in service. Total undiscounted future cash flows expected in the estimated year of decommissioning, which range from 2027 to 2068, is $838 (2024 - $772). The present value of estimated future cost of decommissioning activities is $603 (2024 - $484).

11 LONG-TERM DEBT

Long-term debt is comprised of:

	2025	2024
Tax-supported debt	**$ 207,109**	$ 198,329
Self-supported debt:		
Utilities	**72,584**	62,012
Offsites	**15,732**	14,492
Land and fleet	**9,052**	11,473
	$ 304,477	$ 286,306

Current portion of long-term debt is $18,606 (2024 - $19,247)

Tax-supported debt represents the amount funded by municipal taxes. Self-supported debt represents the amount funded through self-supported municipal operations including fleet, subdivisions, offsite levies collected from developers, water, wastewater, waste management, and electric.

Expected principal and interest payments are as follows:

	Principal	Interest	**Total**
2026	$ 18,606	$ 11,305	**$ 29,911**
2027	18,092	10,613	**28,705**
2028	15,730	9,946	**25,676**
2029	14,575	9,362	**23,937**
2030	14,375	8,831	**23,206**
Thereafter	223,099	77,440	**300,539**
	$ 304,477	$ 127,497	**$ 431,974**

Long-term debt consists of debentures payable to the Province of Alberta and is issued on the credit and security of The City at large.

Debentures mature in annual amounts to 2055. Interest rates on these debentures range from 1.67% to 5.43% (2024 - 1.27% to 5.43%) per annum. The average annual interest rate is 3.91% (2024 - 3.77%).

During the year, a total of $37,527 (2024 - $17,565) was added through new debenture borrowings to fund capital projects. Interest expense on long-term debt amounted to $10,809 (2024 - $10,154). Cash payments for interest and principal were $10,510 (2024 - $10,218) and $19,356 (2024 - $21,439) respectively.

12 DEBT LIMIT

Section 276(2) of the MGA requires that debt and debt limits as defined by Alberta Regulation 255/2000 for The City be disclosed as follows:

		2025		2024
Total debt limit	**$**	**666,944**	$	613,928
Total debt (Note 11)		**304,477**		286,306
Unused debt limit		**362,467**		327,622
Percentage used		**46 %**		47 %
Total debt service limit	**$**	**111,157**	$	102,321
Total debt service (Note 11)		**29,911**		29,499
Unused debt service limit		**81,246**		72,822
Percentage used		**27 %**		29 %

The debt limit is calculated at 1.5 times revenue of The City as defined in Alberta Regulation 255/00, which is total revenue less capital government transfers and contributed tangible capital assets. The debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of The City. Rather, the financial statements should be interpreted as a whole.

Pursuant to section 6(1) of the Regulation, The City has elected to include revenue, total debt and debt service costs for controlled agencies in its debt limit and debt service limit calculations. The controlled agencies that have been included are Red Deer Public Library, Red Deer Downtown Business Association, and River Bend Golf Course.

13 TANGIBLE CAPITAL ASSETS

	2025	2024
Net book value		
Land	**$ 373,395**	$ 373,202
Land improvements	**88,618**	87,884
Buildings	**266,048**	275,931
Machinery, equipment, and furnishings	**55,492**	51,350
Vehicles	**39,924**	35,158
Engineered structures		
Roadway system	**423,023**	417,198
Water system	**283,232**	279,705
Wastewater system	**255,946**	256,398
Storm system	**248,973**	247,383
Electrical system	**130,169**	122,291
Fibre optics system	**1,255**	1,145
	2,166,075	2,147,645
Assets under construction	**93,387**	89,198
	$ 2,259,462	$ 2,236,843

In 2025, The City acquired tangible capital assets at a cost of $105,565 (2024 - $115,368), of which $109,105 (2024 - $110,541) was acquired with cash less $3,540 net reduction (2024 - $4,827 acquisition) of asset retirement obligations.

Also in 2025, $7,699 (2024 - $1,797) in engineered structures were contributed to The City.

In 2025, The City acquired works of art in the amount of $10 (2024 - $38), which have been expensed as materials and supplies.

For additional information, see Schedule 1 - Consolidated Schedule of Tangible Capital Assets.

14 EQUITY IN TANGIBLE CAPITAL ASSETS

	2025	2024
Tangible capital asset cost (Schedule 1)	**$ 3,790,581**	$ 3,695,421
Accumulated amortization (Schedule 1)	**(1,531,119)**	(1,458,578)
Long-term debt related to tangible capital assets	**(276,748)**	(254,485)
Asset retirement obligations (Note 10)	**(11,773)**	(15,139)
	$ 1,970,941	$ 1,967,219

15 ACCUMULATED OPERATING SURPLUS

Accumulated operating surplus consists of restricted and unrestricted amounts including unrestricted surplus, reserves, and equity invested in tangible capital assets.

	2025	2024
Unrestricted surplus - controlled agencies	**$ 4,503**	$ 4,786
Unrestricted deficit - capital to be financed	**(18,747)**	(57,106)
Reserves		
Capital projects - tax supported	**17,943**	18,527
Operating reserve - tax supported	**9,145**	(5,447)
Municipal parkland	**7,378**	7,528
Finance a specific purpose	**3,223**	3,061
Capital asset replacement (fleet)	**36,916**	40,713
Land development	**34,154**	49,158
Offsite	**(36,828)**	(37,239)
Power	**37,233**	25,836
Wastewater	**29,819**	26,032
Solid waste management	**27,450**	29,672
Water	**9,570**	1,449
Total reserves (Schedule 2)	**176,003**	159,290
Equity in tangible capital assets (Note 14)	**1,970,941**	1,967,219
	$ 2,132,700	$ 2,074,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2025 (in thousands of dollars)

16 NET PROPERTY AND OTHER TAXES

	Budget	**2025**	2024
Taxes net of requisitions			
Real property taxes	$ 171,265	**$ 168,898**	$ 150,708
Business revitalization levy	297	**297**	275
Grants in place of taxes	3,982	**3,982**	2,581
Linear and other property taxes	1,726	**1,726**	2,851
	177,270	**174,903**	156,415
Requisitions			
Public school requisition	39,545	**44,500**	39,632
Catholic school requisition	5,462	**5,569**	5,462
Bridges Community Living	665	**450**	655
Designated industrial property	14	**13**	15
	45,686	**50,532**	45,764

17 USER FEES AND SALE OF GOODS

	Budget	**2025**	2024
Utility user fees	$ 166,751	**$ 164,588**	$ 155,379
Ambulance and dispatch revenue	16,670	**17,910**	19,470
Electrical transmission recovery	5,275	**8,028**	5,608
Land sales	8,504	**7,891**	3,333
Transit revenue	6,375	**6,875**	6,149
Facility user fees	7,314	**7,247**	7,152
Equipment and facility rental	3,950	**4,897**	3,765
Other	2,933	**4,328**	4,595
	$ 217,772	**$ 221,764**	$ 205,451

18 GOVERNMENT TRANSFERS

	Budget	2025	2024
Operating			
Provincial:			
Family and Community Support Services	$ 3,216	**$ 3,237**	$ 3,258
911 Grant Program	2,982	**3,042**	2,673
Policing Support Grant	1,940	**1,914**	1,914
Local Government Fiscal Framework	1,663	**1,663**	1,663
Outreach Support Services Initiative	3,823	**1,120**	4,135
Transit grants	-	**364**	264
Other provincial grants	1,213	**1,681**	1,548
	14,837	**13,021**	15,455
Federal:			
Reaching Home	2,043	**2,276**	2,381
Other federal grants	826	**422**	158
	2,869	**2,698**	2,539
Local:			
Family and Community Support Services	235	**280**	271
Other local grants	434	**831**	134
	669	**1,111**	405
Total Operating	18,375	**16,830**	18,399
Capital			
Provincial:			
Municipal Sustainability Initiative	7,160	**8,341**	17,821
Local Government Fiscal Framework	18,797	**15,966**	-
Water for Life	11,687	**4,723**	6,369
GreenTRIP	-	**(202)**	-
Other provincial grants	70	**-**	-
	37,714	**28,828**	24,190
Federal:			
Active Transportation Fund	2,877	**8,540**	-
Canada Community Building Fund	3,460	**5,455**	2,254
COVID-19 Resilience Grant	1,392	**1,247**	4,132
	7,729	**15,242**	6,386
Total Capital	45,443	**44,070**	30,576
	$ 63,818	**$ 60,900**	$ 48,975

19 EXPENSES BY OBJECT

	Budget	**2025**	2024
Salaries, wages, and benefits	$ 194,091	**$ 177,772**	$ 168,838
Contracted services	57,987	**56,066**	53,519
Materials and supplies	63,183	**58,014**	67,883
Purchases from other governments	36,745	**32,308**	33,631
Grants to organizations	18,134	**12,835**	26,110
Financial charges	9,903	**11,241**	10,522
Amortization	89,077	**87,414**	84,524
Accretion expense	216	**296**	242
Other expenses	1,806	**1,941**	937
	$ 471,142	**$ 437,887**	$ 446,206

20 SALARIES AND BENEFITS DISCLOSURE

The following City Council and executive salaries and benefits are disclosed as required by Alberta Regulation 313/2000 of the MGA.

	Salaries	Benefits	2025	2024
	(a)	(b), (c)		
Mayor:				
C. Jefferies	$ 18	$ 4	**$ 22**	$ -
K. Johnston	109	18	**127**	147
	127	22	**149**	147
Councillors:				
K. Barnstable	70	12	**82**	81
T. Brisbois	11	4	**15**	-
B. Buruma	70	14	**84**	83
C. Curtis	11	3	**14**	-
V. Doerksen	60	7	**67**	82
A. Goodwin	11	4	**15**	-
V. Higham	60	15	**75**	86
C. Jefferies	60	13	**73**	84
C. Krahn	70	17	**87**	55
L. Lee	63	15	**78**	88
J. Tweedle	11	3	**14**	-
D. Wyntjes	70	17	**87**	86
	567	124	**691**	645
City Manager:				
T. Lodewyk	301	43	**344**	348
Designated Officers:				
City Assessor	161	35	**196**	190
Assessment Review Board Clerk	196	37	**233**	228
	$ 1,352	$ 261	**$ 1,613**	$ 1,558

(a) Salary includes regular base pay, overtime, lump sum payments, gross honoraria, and any other direct cash remuneration. The City does not pay bonuses to employees.

(b) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long and short-term disability plans, professional memberships, tuition, and car allowance. Benefits and allowances also include supplementary employee retirement plan payments and moving and relocation allowances.

(c) Benefits for City Councillors include accidental death and dismemberment, group life, health care, dental coverage, registered savings plan, internet and phone allowances, transit, and Canada Pension Plan.

21 LOCAL AUTHORITIES PENSION PLAN

Employees of The City participate in the Local Authorities Pension Plan ("LAPP"), which is a multi-employer plan governed by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

The City is required to make current service contributions to LAPP of 8.45% (2024 - 8.45%) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings ("YMPE") and 11.65% (2024 - 11.65%) for the excess. Employees of The City are required to make current service contributions of 7.45% (2024 - 7.45%) to the YMPE and 10.65% (2024 - 10.65%) thereafter.

		2025		2024
Current service contributions by employer	**$**	**11,978**	$	11,755
Current service contributions by employee		**10,691**		10,496
	$	**22,669**	$	22,251

As at December 31, 2024, LAPP reported an actuarial surplus of $19.5 billion (2023 - $15.1 billion). This amount is not specifically allocated to the participating government organizations. The 2025 actuarial balance was not available at the date these financial statements were released.

22 APEX SUPPLEMENTARY PENSION PLAN

The APEX supplementary pension plan is a defined benefit pension plan sponsored by the Association of Alberta Municipalities covered under the provisions of the Alberta Employment Pension Plans Act. It provides supplementary pension benefits to a prescribed class of employees and supplements the LAPP. The post-retirement benefit costs are fully funded.

Employees and The City are required to make current service contributions to APEX of 2.42% and 2.96% (2024 - 2.42% and 2.96%) respectively of individual pensionable earnings up to $188 (2024 - $180).

		2025		2024
Current service contributions by employer	**$**	**490**	$	473
Current service contributions by employee		**400**		387
	$	**890**	$	860

As at December 31, 2024, APEX reported accumulated surplus of $17,157 (2023 - $10,306). This amount is not specifically allocated to the participating government organizations. The 2025 actuarial balance was not available at the date these financial statements were released.

23 MUNI SUPPLEMENTARY EMPLOYEE RETIREMENT PLAN

Muni SERP is a supplementary employee retirement plan defined by The City and administered by the Alberta Municipal Services Corporation ("AMSC"). The plan provides supplementary retirement benefits to a prescribed class of employees in excess of the limits of the Income Tax Act (Canada). The supplementary benefit takes the form of a lump sum cash payment upon retirement or death. Muni SERP supplements APEX and LAPP and is a voluntary, non-contributory defined benefit employee retirement plan. As of 2022, this plan is no longer being offered to new employees.

AMSC provides an actuarial valuation annually, which determines the accrued benefit obligation using the projected accrued benefit cost with prorating on service method. Key actuarial assumptions used in the valuation were based on actuarial estimates. Those assumptions involve forecasts of expected future inflation rates, discount rates, wage and salary increases, maximum pension limit under the Income Tax Act, and employee turnover and mortality. Key assumptions are as follows: expected discount rate of 5.00% (2024 - 5.00%), expected salary escalations of 2.75% (2024 - 2.75%) per year, and inflation rate of 2.00% (2024 - 2.00%).

The total current and past service liability to The City as at December 31, 2025 is estimated at $154 (2024 - $205). This liability is offset by earmarked asset investment fund held by AMSC in the amount of $774 (2024 - $750).

24 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loans receivable, accounts payable and accrued liabilities, deposits, and long term debt.

(a) Credit risk

The City is subject to credit risk with respect to its trade and other receivables as well as loans receivable. Credit risk arises from the possibility that entities to which The City provides services may experience financial difficulty and be unable to fulfil their obligations. The large number and diversity of customers minimizes the credit risk.

(b) Interest rate risk

The City is exposed to interest rate risk on its investments whose fair value fluctuates with the rise and fall of interest rates, particularly long-term interest-bearing securities. The City minimizes the risk by holding these securities to maturity, allowing time for interest rates to stabilize over the long run.

It is management's opinion that The City is not exposed to significant liquidity, currency, or other price risk arising from its financial instruments.

25 CONTRACTUAL RIGHTS AND OBLIGATIONS

The following are The City's significant contractual capital rights and obligations:

(a) Lease rights

The City has agreements to lease land to The Westerner with an expiry date of May 1, 2059 and to the Alberta Sports Hall of Fame Museum Society with an expiry date of November 9, 2042. At the time of expiry or lease termination, or if The Westerner fails to make payments on their loan, all buildings and other improvements on these properties will be contributed to The City. The estimated fair values of the tangible capital assets at those future dates is unknown at this time.

(b) Construction obligations

The City has commitments with various developers and contractors for capital projects. The following table is a summary of capital contractual obligations related to those projects:

Construction Contracts	Committed Amount 2025	2024
Roadway rehabilitation and street improvements	**$ 14,054**	$ 5,465
Fleet purchases	**8,219**	8,216
Wastewater system and treatment plant upgrades	**6,572**	12,440
Power station and infrastructure upgrades	**4,862**	321
Water system and treatment plant upgrades	**4,153**	1,829
Storm sewer and drainage improvements	**1,262**	456
911 system upgrades	**1,120**	1,641
Solid waste disposal facility projects	**1,006**	-
Administrative and technology projects	**746**	256
Recreation facility and parks improvements	**500**	763
Subdivision development	**414**	1,833
Other minor projects	**197**	211
	$ 43,105	$ 33,431

The following are The City's significant operating contractual rights and obligations:

(a) Emergency Dispatch Contracts

The City has agreements with various municipalities in Central Alberta to provide emergency dispatch services. The expiry dates range from January 5, 2026 to December 31, 2030 (2024 - December 1, 2025 to December 31, 2029). The total dispatch revenue The City will receive from these contracts is $3,138 (2024 - $3,697).

(b) School Transportation Agreements

The City has entered into agreements with the Red Deer Public School and Catholic School Divisions to provide transit access for middle and high school students. Both contracts have expiry dates of June 30, 2029. The total transit revenue The City will receive from these agreements is $8,664 (2024 - $10,379).

(c) Red Deer County

In 2025, Red Deer County entered into an agreement with The City to support operating and maintenance costs associated with The City's facilities and programs. The agreement expires December 31, 2030 and the total cost of the contract is $5,591.

(d) Waste Management Contracts

The City has a number of agreements related to waste management with expiry dates ranging from September 30, 2026 to March 31, 2029. (2024 - March 31, 2025 to March 31, 2029). The estimated annual cost of these contracts are $11,386 (2024 - $11,173).

(e) RCMP Contract

The City pays 90% of the operating costs for RCMP services through to March 31, 2032. The estimated annual contract cost is $38,344 (2024 - $33,600).

(f) ENMAX Contract

The City extended its agreement with ENMAX Power Corporation to provide meter data management services to The City until December 31, 2027. The estimated remaining cost of the contract is $6,108 (2024 - $3,322).

(g) Community Support Services Contracts

The City has contracts with various community organizations to provide grant funding through Outreach Support Services Initiative, Reaching Home, and Family Community Support Services. For more information on the amounts The City received from these funders, see Note 18.

	Expiry Date	**Total Cost of Contracts**	
		2025	**2024**
Outreach Support Services Initiative/Reaching Home	March 31, 2026	**$ 1,260**	$ 6,948
Family and Community Support Services	December 31, 2026	**3,223**	6,447
		$ 4,483	$ 13,395

(h) Operating License Agreements

The City has entered into agreements with various community organizations to occupy and operating City property. Expiry dates of these agreements range from December 31, 2026 to December 31, 2029. The total remaining cost of the contracts are $7,287.

(i) Utility Metering Service Agreement

In 2025, The City entered into a contract with Itron Canada Inc. to provide customer metering for The City's utilities. The contract is for fifteen years ending March 31, 2040. The total cost of the contract over that time is $4,416.

26 CONTINGENCIES

(a) Environmental Contingencies

There are contaminated sites that The City has identified that may result in remediation obligations. A liability has not been recorded for these sites because either, at this time, the likelihood The City becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both. These sites include:

- Queens Business Park
- NE Section 26 Eastbend Village
- 46 Street and 49 Avenue
- Area around the Wastewater Treatment Plant
- Chiles Industrial Road
- North and south snow storage sites
- CP Rail Pedestrian Bridge and other sections of the former CP Rail Line

There are other contaminated sites identified in The City where remediation costs can be estimated and have been recorded in the financial statements, but uncertainty around the full extent of the contamination still exists. These sites include:

- Ross and Taylor Drive - $294
- Area around the Water Treatment Plant - $840

(b) Land Expropriation Compensation

In 2009, The City acquired land under the Expropriation Act from several property owners in connection with various road development projects. Six property owners have outstanding claims filed with the Alberta Land Compensation Board for compensation to which they believe they are entitled. At this time, The City cannot determine a reasonable estimate or the likelihood of the remaining compensation in these cases, therefore, no liability has been accrued in these financial statements.

(c) Active Lawsuits

During 2025, there were various legal claims pending against The City, arising in the ordinary course of its operations. The City defends all claims made against it, but the outcome of these cases is presently indeterminable. At this time, The City cannot estimate the financial impact of these cases and therefore, no liability has been accrued in these financial statements.

(d) Alberta Utilities Commission

The City is involved in regulatory proceeding before the Alberta Utilities Commission related to wastewater rates for the 2023 to 2025 period. The outcome is uncertain and may result in adjustment or refunds. The amount of potential liability cannot be reasonably estimated and no provision has been recorded in these financial statements.

27 GUARANTEES

The City has issued an irrevocable standby letter of credit for $7,500 (2024 - $7,500) as required by The Alberta Electric System Operator, in the event of payment default for electrical distribution charges. The letter of credit has not been utilized to date.

The City has issued two (2024 - one) irrevocable standby letters of credit to the Receiver General of Canada on behalf of Fisheries and Oceans Canada totalling $917 (2024 - $73). The letters of credit are to guarantee work completion and quality of City waterway projects. The letters have not been utilized to date.

28 SEGMENTED DISCLOSURE

The City is a diversified municipal government that provides a wide range of services to its citizens. For management reporting purposes, The City's operations and activities are organized and reported by functions and services provided. For each reported segment, revenues and expenses represent amounts that are directly attributable to the segments and amounts that are allocated on a reasonable basis. Investment earnings are allocated to each segment based on an average of fund balances. Net tax revenue is allocated to each tax-supported segment based on the budgeted expenditures in those segments.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1. For additional information, see Schedule 3 - Consolidated Schedule of Segmented Disclosure.

Certain functions that have been disclosed in the segmented information, along with the services provided, are as follows:

(a) General Government Services

This category of functions is used to report activities that provide for the overall operation of The City, which are common to, or affect all of the services provided by The City, including City Council and legislative, general administration, property assessment, taxation administration, licensing, and elections.

(b) Protective Services and Parking

This category of functions is used to report activities that provide for the public safety of the inhabitants of The City, including police, bylaw enforcement, and disaster management services as well as fire, ambulance, and parking authority.

(c) Transportation and Fleet

This category of functions is used to report activities related to public transportation, including roads and streets, public transit, storm sewers and drainage, and the equipment pool.

(d) Public Health and Planning

This function is used to report activities related to the development and management of social issues in the community, including public housing, research, and addressing at-risk group needs.

(e) Recreation, Parks, and Culture

This function is used to report activities related to providing recreational and cultural opportunities to the community.

(f) Subdivisions, Land, and Development

This function is used to report activities related to the development of land and infrastructure for use by The City or for resale.

(g) Water

This function reports activities related to acquiring, treating, and supplying water.

(h) Wastewater

This function reports on activities related to the collection or removal and treatment and disposal of sanitary sewage.

(i) Waste Management

This function is used to report activities related to the collection of recyclables, garbage, and other waste material, the maintenance and operation of sanitary landfill sites, and management of solid waste landfill closure and post-closure.

(j) Electric

This function is used to report activities related to the operation and maintenance of electric transmission and distribution facilities and delivery of power.

29 RELATED PARTY DISCLOSURE

In 2020, The Westerner and The City announced that financial challenges at The Westerner resulted in a request for support whereby The City assumed temporary financial oversight of the organization. A relationship framework agreement was signed October 13, 2021 for a term of five years. Two City Councillors have been appointed to The Westerner's board and the City Manager attends meetings as a liaison. All transactions between the related parties are recorded at their exchange amount.

(a) Grants to organizations

The City paid no grants to The Westerner in 2025 (2024 - $500).

(b) Facility Assessment and Asset Management Plan

City Council approved one-time funding up to $250 for a facility condition assessment and asset management plan for The Westerner. In 2025, a total of $16 (2024 - Nil) was spent on this project. This project was completed in 2025 and remaining funds of $86 returned to capital projects reserve-tax supported.

(c) Loans and Interest Receivable

In 2021, The City loaned The Westerner $19,000 in order to relinquish the organization's long term debt with CIBC. In 2023, City Council approved a $1,000 line of credit for The Westerner. Accrued interest receivable on these loans amounts to $753 (2024 - $450). For more information on loan terms and the outstanding balances, see Note 6.

(d) Lease

The City has a lease agreement with The Westerner for the land on which The Westerner operates and expires May 1, 2059. For information about The City's contractual rights associated with this lease agreement, see Note 25.

30 BUDGET

The reported budget information is derived from the adopted operating budget and the capital cash flow budget approved by City Council on February 24, 2025 and November 24, 2025, respectively. These reported budgets do not include subsequent amendments, internal fund transfers, debt repayment, and other internal recoveries. The table below reconciles The City's final budget to the reported budget presented in these financial statements.

	Operating	Capital	Total
Reported budget surplus (deficit)	$ (31,723)	$ 53,312	**$ 21,589**
Contributed tangible capital assets	6,357	(6,357)	**-**
Net amendments	(5,941)	-	**(5,941)**
Salary budget correction	7,855	-	**7,855**
Final budget surplus (deficit) before funding transfers	(23,452)	46,955	**23,503**
Transfers for capital expenditures	-	(137,627)	**(137,627)**
Transfers for amortization on tangible capital assets	82,720	-	**82,720**
Long term debt issued	-	38,827	**38,827**
Long term debt repaid	(18,549)	-	**(18,549)**
Internal recoveries from capital	3,216	-	**3,216**
Net transfers between capital and operating funds	261	880	**1,141**
Transfers (to) from reserve	(44,196)	50,965	**6,769**
Final budget balance	$ -	$ -	$ -

31 SUBSEQUENT EVENT

Subsequent to December 31, 2025, City Council initiated and completed the legislated process to disestablish the Downtown Business Improvement Area ("BIA"). The vote of eligible levy payers held on March 16, 2026 resulted in approval of the disestablishment. Council passed the required bylaw to repeal the BIA on April 14, 2026. As a result, the Downtown Business Association is winding down operations and will no longer form part of The City's reporting entity. The impact on The City's annual surplus is estimated to be $108 in 2026.

32 COMPARATIVE INFORMATION

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year annual operating surplus.

33 APPROVAL OF FINANCIAL STATEMENTS

City Council has approved these financial statements on April 28, 2026.

STATISTICAL INFORMATION

GENERAL MUNICIPAL DATA - UNAUDITED

2021-2025

	2025	2024	2023	2022	2021
Population	**101,002**	101,002	101,002	101,002	101,002
Number of dwellings	**46,892**	46,498	46,151	42,780	42,780
Length of open roads (in kilometres)	**629**	627	622	622	572
Number of business licences	**3,750**	4,283	4,827	4,352	4,071
Number of development permits	**901**	1,161	1,049	1,168	1,399
Average number of days from development permit application to approval	**22**	18	19	14	12
Value of development permits (in thousands of dollars)					
Residential	**$ 45,135**	$ 28,372	$ 29,283	$ 29,521	$ 32,772
Commercial and Industrial	**$ 57,286**	$ 57,936	$ 56,060	$ 70,607	$ 77,883
Other	**$ 966,548**	$ 44,318	$ 8,400	$ 54,168	$ 23,861
	$ 1,068,969	$ 130,626	$ 93,743	$ 154,296	$ 134,516
Unemployment rates (annual average)					
Red Deer	**6.2 %**	7.3 %	7.0 %	6.3 %	9.1 %
Alberta	**7.2 %**	7.0 %	5.9 %	5.8 %	8.6 %
Canada	**6.8 %**	6.3 %	5.4 %	5.3 %	7.5 %
Number of full time positions	**1,276**	1,287	1,310	1,345	1,312

Population is derived from the 2019 Municipal Census until population survey results are available from Statistics Canada for 2026.

Unemployment rates are derived from Statistics Canada.

ASSESSMENT AND TAX LEVY - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Taxable assessment	**$ 18,072,616**	$ 16,632,272	$ 15,819,289	$ 15,243,548	$ 15,146,225
Percentage of total assessment					
Residential	**76.80 %**	75.57 %	75.61 %	74.86 %	74.75 %
Non-residential and other	**23.20 %**	24.43 %	24.39 %	25.14 %	25.25 %
Taxable assessment per capita	**$ 179**	$ 165	$ 157	$ 151	$ 150
Mill rates (not in thousands):					
Residential					
Municipal	**7.3649**	7.3450	7.2877	7.2187	7.2771
Education Foundation	**2.5075**	2.4755	2.4913	2.6475	2.6411
Management body	**0.0247**	0.0408	0.0404	0.0526	0.0451
	9.8971	9.8613	9.8194	9.9188	9.9633
Non-residential					
Municipal	**17.7230**	16.3988	15.5529	14.8079	14.6734
Education Foundation	**3.9198**	3.7162	3.7839	3.9697	4.0507
Management body	**0.0247**	0.0408	0.0404	0.0526	0.0451
	21.6675	20.1558	19.3772	18.8302	18.7692
Property taxes (includes requisitions)					
Tax arrears opening balance	**$ 2,469**	$ 1,745	$ 1,579	$ 2,186	$ 3,683
Levies:					
Current	**$ 230,858**	$ 207,973	$ 193,994	$ 186,189	$ 184,250
Arrears	**$ 349**	$ 271	$ 233	$ 197	$ 341
Collected:					
Current	**$ (227,402)**	$ (205,401)	$ (191,591)	$ (184,160)	$ (181,621)
Arrears	**$ (3,220)**	$ (2,119)	$ (2,470)	$ (2,833)	$ (4,467)
Tax arrears ending balance	**$ 3,054**	$ 2,469	$ 1,745	$ 1,579	$ 2,186
Percent collected of current levy	**98.43 %**	97.70 %	98.34 %	99.12 %	99.74 %
Education requisitions					
Public schools	**$ 44,500**	$ 39,632	$ 38,170	$ 38,877	$ 39,113
Catholic schools	**$ 5,569**	$ 5,462	$ 5,257	$ 5,618	$ 5,782

In 2025, comparative information has been reclassified to conform to the current year's presentation.

CAPITAL FUND ACTIVITIES - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Funding sources applied:					
Capital government transfers	**$ 44,070**	$ 30,576	$ 50,711	$ 46,699	$ 44,837
Developer and customer contributions	**3,678**	2,079	2,934	4,777	4,233
Other capital revenue	**1,900**	1,165	883	58	542
Net asset retirement obligations incurred (settled)	**(3,551)**	4,713	(10)	-	-
Debt issued for capital purposes	**37,527**	17,565	12,767	17,126	24,513
Non-capital debt repaid	**3,634**	3,529	3,426	2,431	2,375
From (to) operating	**500**	(13,040)	(6,767)	338	(5,471)
From (to) reserves	**55,410**	57,167	43,596	34,487	50,832
Total funding	**143,168**	103,754	107,540	105,916	121,861
Capital expenditure by function:					
General government services	**3,376**	6,281	3,326	5,749	3,075
Protective services and parking	**2,059**	2,179	2,456	3,538	10,413
Transportation and fleet	**50,471**	57,254	48,103	32,212	45,141
Recreation, parks, and culture	**8,519**	4,399	10,245	26,773	14,013
Subdivisions, land, and development	**922**	-	1,921	916	484
Water	**10,342**	10,271	18,138	15,347	20,651
Wastewater	**15,598**	20,000	12,630	11,077	12,346
Waste management	**671**	518	1,187	1,422	249
Electric	**12,851**	13,268	11,659	17,100	8,211
Total capital spending	**104,809**	114,170	109,665	114,134	114,583
Increase (decrease) in fund balance	**38,359**	(10,416)	(2,125)	(8,218)	7,278
Capital to be financed, start of year	**(57,106)**	(46,690)	(44,565)	(36,347)	(43,625)
Capital to be financed, end of year	**$ (18,747)**	$ (57,106)	$ (46,690)	$ (44,565)	$ (36,347)

In 2025 and 2024, comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED REVENUE BY SOURCE - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Operating Revenue:					
Net property and other taxes	**$ 174,903**	$ 156,415	$ 145,026	$ 136,591	$ 135,531
User fees and sale of goods	**221,764**	205,451	189,864	175,730	163,857
Operating government transfers	**16,830**	18,399	18,918	17,614	21,471
Investment earnings	**2,599**	3,739	2,828	1,690	4,213
Fines and penalties	**5,327**	5,923	4,728	3,963	4,017
Natural gas distribution franchise	**9,949**	10,105	9,267	10,515	8,769
Licenses and permits	**4,849**	2,672	3,518	3,472	3,259
Other operating revenue	**4,600**	4,473	4,729	2,413	2,393
Total Operating Revenue	**440,821**	407,177	378,878	351,988	343,510
Capital Revenue:					
Capital government transfers	**44,070**	30,576	50,711	46,699	44,837
Contributed tangible capital assets	**7,699**	1,797	1,244	1,718	2,176
Developer and customer contributions	**3,678**	2,074	2,934	4,777	4,233
Net effect of annexation	**-**	491	-	-	-
Other capital revenue	**130**	34	459	6	19
Consolidated Revenue	**$ 496,398**	$ 442,149	$ 434,226	$ 405,188	$ 394,775

In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.

CONSOLIDATED OPERATING EXPENSES BY FUNCTION - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Operating Expenses:					
General government services	**$ 55,554**	$ 59,746	$ 45,885	$ 47,971	$ 52,118
Protective services and parking	**102,241**	98,458	92,580	88,530	85,611
Transportation and fleet	**90,563**	93,199	87,960	80,760	75,197
Public health and planning	**16,921**	19,413	15,766	16,510	17,217
Recreation, parks, and culture	**59,861**	59,972	64,820	55,546	49,704
Subdivisions, land, and development	**2,226**	7,184	1,199	2,224	1,427
Water	**24,015**	23,062	22,489	20,125	18,497
Wastewater	**22,649**	22,308	22,472	21,202	19,794
Waste management	**14,238**	14,822	13,377	14,333	13,162
Electric	**49,619**	48,042	47,258	48,183	42,197
Total operating expenses	**$ 437,887**	$ 446,206	$ 413,806	$ 395,384	$ 374,924

In 2025, comparative information has been reclassified to conform to the current year's presentation.
In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.

CONSOLIDATED EXPENSES BY OBJECT - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Operating Expenses:					
Salaries, wages, and benefits	**$ 177,772**	$ 168,838	$ 158,264	$ 149,442	$ 142,455
Contracted services	**56,066**	53,519	48,811	45,418	41,514
Materials and supplies	**58,014**	67,883	62,200	57,934	48,192
Purchases from other governments	**32,308**	33,631	30,984	32,903	31,320
Grants to organizations	**12,835**	26,110	14,932	17,317	24,319
Financial charges	**11,241**	10,522	10,745	10,364	9,846
Amortization	**87,414**	84,524	81,760	79,984	76,322
Accretion expense	**296**	242	426	1,697	-
Other expenses	**1,941**	937	5,684	325	956
Total operating expenses	**$ 437,887**	$ 446,206	$ 413,806	$ 395,384	$ 374,924

In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.

FINANCIAL POSITION AND ANNUAL OPERATING SURPLUS - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Financial assets	**$ 307,485**	$ 255,919	$ 288,214	$ 322,078	$ 358,257
Liabilities	**477,678**	464,964	463,851	494,009	505,003
Net debt	**(170,193)**	(209,045)	(175,637)	(171,931)	(146,746)
Non-financial assets	**2,303,565**	2,281,453	2,253,414	2,228,128	2,195,863
Accumulated operating surplus	**2,132,700**	2,074,189	2,078,246	2,057,826	2,049,117
Accumulated remeasurement losses	**672**	(1,781)	(469)	(1,629)	-
Annual operating surplus (deficit)	**$ 58,511**	$ (4,057)	$ 20,420	$ 9,804	$ 19,851

In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.
Also in 2023, comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED ACCUMULATED SURPLUS - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Unrestricted surplus-controlled agencies	**$ 4,503**	$ 4,786	$ 4,467	$ 2,882	$ 2,003
Unrestricted surplus-capital to be financed	**(18,747)**	(57,106)	(46,690)	(44,565)	(36,347)
Reserves	**176,003**	159,290	181,062	190,266	203,107
Equity in tangible capital assets	**1,970,941**	1,967,219	1,939,407	1,909,243	1,880,354
Accumulated operating surplus	**2,132,700**	2,074,189	2,078,246	2,057,826	2,049,117
Accumulated remeasurement losses	**672**	(1,781)	(469)	(1,629)	-
Accumulated surplus	**$ 2,133,372**	$ 2,072,408	$ 2,077,777	$ 2,056,197	$ 2,049,117

In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.
In 2024, comparative information has been reclassified to conform to the current year's presentation.

CONSOLIDATED RESERVES - UNAUDITED
2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Capital projects - tax supported	**$ 17,943**	$ 18,527	$ 18,338	$ 20,703	$ 17,838
Operating reserve - tax supported	**9,145**	(5,447)	7,828	9,302	27,621
Municipal parkland	**7,378**	7,528	7,340	7,354	7,286
Finance a specific purpose	**3,223**	3,061	3,024	2,893	2,816
Debt repayment	**-**	-	-	(6,201)	(812)
Tax-supported reserves	**37,689**	23,669	36,530	34,051	54,749
Capital asset replacement (fleet)	**36,916**	40,713	48,120	48,238	45,080
Land development	**34,154**	49,158	55,214	58,567	53,649
Offsite	**(36,828)**	(37,239)	(36,045)	(33,219)	(30,345)
Self-supported reserves	**34,242**	52,632	67,289	73,586	68,384
Power	**37,233**	25,836	22,249	24,751	30,830
Wastewater	**29,819**	26,032	24,914	22,728	19,544
Solid waste management	**27,450**	29,672	27,725	26,747	18,673
Water	**9,570**	1,449	2,355	8,403	10,927
Utility-supported reserves	**104,072**	82,989	77,243	82,629	79,974
	$ 176,003	$ 159,290	$ 181,062	$ 190,266	$ 203,107

In 2022, comparative information has been reclassified to conform to the current year's presentation.
In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.

LONG-TERM DEBT ISSUED BY FUNCTION - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
General government services	$ -	$ -	$ -	$ 5,150	$ 19,000
Protective services and parking	**93**	-	2,127	-	1,368
Transportation and fleet	**19,685**	13,726	2,250	4,125	3,317
Recreation, parks, and culture	**923**	109	3,527	9,901	11,378
Water	**9,112**	3,402	3,500	3,100	8,450
Wastewater	**2,700**	328	1,363	-	-
Electric	**5,014**	-	-	-	-
Total	**$ 37,527**	$ 17,565	$ 12,767	$ 22,276	$ 43,513

In 2025, comparative information has been reclassified to conform to the current year's presentation.

LONG-TERM DEBT - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Tax-supported debt	**$ 207,109**	$ 198,329	$ 195,147	$ 199,195	$ 186,719
Self-supported debt	**97,368**	87,977	95,033	101,389	113,412
Total long-term debt	**304,477**	286,306	290,180	300,584	300,131
Long-term debt per capita (not in thousands)	**3,015**	2,835	2,873	2,976	2,972
Debt limit per regulation	**666,944**	613,928	573,407	535,157	521,643
Debt limit unused	**362,467**	327,622	283,227	234,573	221,512
Percentage of debt limit used	**46 %**	47 %	51 %	56 %	58 %
Service on debt limit	**111,157**	102,321	95,568	89,193	86,941
Service on existing debt	**29,911**	29,499	31,504	33,358	31,702
Service on debt limit unused	**81,246**	72,822	64,064	55,835	55,239
Percentage of service on debt limit used	**27 %**	29 %	33 %	37 %	36 %
Percentage of expenses	**7 %**	7 %	8 %	8 %	8 %

In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.

GOVERNMENT TRANSFERS - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Operating transfers					
Provincial	**$ 13,021**	$ 15,455	$ 16,767	$ 14,565	$ 18,102
Federal	**2,698**	2,539	1,772	2,678	2,692
Local	**1,111**	405	379	371	677
	16,830	18,399	18,918	17,614	21,471
Capital transfers					
Provincial	**28,828**	24,190	28,494	14,276	21,470
Federal	**15,242**	6,386	22,217	32,423	23,367
	44,070	30,576	50,711	46,699	44,837
	$ 60,900	$ 48,975	$ 69,629	$ 64,313	$ 66,308

INVESTMENTS - UNAUDITED

2021-2025 (in thousands of dollars)

	2025	2024	2023	2022	2021
Short term deposits	**$ 25,515**	$ 25,648	$ 36,173	$ 54,451	$ 43,319
Earnings on short term deposits	**2,466**	2,939	3,286	3,675	1,118
Average rate of return	**3.28 %**	5.12 %	5.25 %	2.29 %	1.05 %
Long term investments	**146,023**	138,854	156,510	156,201	156,214
Earnings on long term investments	**1,636**	2,912	2,056	902	3,962
Average four-year annualized return	**0.85 %**	0.86 %	0.66 %	1.02 %	3.17 %
Fair value of embedded derivatives	**44,589**	30,609	29,458	27,611	-
Net remeasurement gains (losses)	**2,453**	(1,312)	1,160	(1,580)	-

Earnings on short term deposits are externally restricted and therefore reported in deferred revenue.
In 2025, comparative information has been reclassified to conform to the current year's presentation.
In 2023, the adoption of new accounting standards resulted in retroactive adjustments to 2022. The new standards are not reflected in 2021.