



## **2025 Annual Financial Report**

The Corporation of the City of Red Deer  
Red Deer, Alberta  
For the Year Ended December 31, 2025  
April 28, 2026

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# **INTRODUCTORY INFORMATION**

## MAYOR AND CITY COUNCIL



Top to bottom, left to right: Councillor B. Buruma, Councillor T. Brisbois, Councillor C. Curtis, Councillor A. Goodwin, Mayor C. Jefferies, Councillor D. Wyntjes, Councillor K. Barnstable, Councillor C. Krahn, Councillor J. Tweedle.

The City of Red Deer is governed by an elected City Council comprised of a Mayor and eight Councillors. Through the City Manager, this group provides governance and leadership to City Administration. The Mayor and all Councillors are members in a number of Committees and Boards that address specific topics.

Each Councillor is elected on an 'at large' basis, meaning that Councillors are not elected on a geographic basis or in a ward. Each Councillor is available to any citizen who wishes to discuss an issue. City Council meetings are held in Council Chambers every second Monday. The meetings are open to the public.

## **REPORT FROM THE CHIEF FINANCIAL OFFICER**

### **The City of Red Deer**

#### **Executive Summary**

As part of the 2025 budget, Council approved a significant tax increase and directed Administration to identify and implement cost efficiencies. Through disciplined expenditure control, vacancy management, and timing of planned initiatives, the City achieved favourable operating results relative to budget. This resulted in the first *Annual Operating Surplus before Other* since 2015, indicating a meaningful improvement in core operating performance. While positive, a portion of this variance is attributable to one-time or timing-related factors, and continued structural alignment between revenues and expenditures remains a priority.

The Statement of Financial Position reflects measurable improvement in the City's overall financial position. Financial assets increased by \$51.6 million, driven primarily by higher cash balances, growth in receivables, and strengthened investment holdings. Liabilities increased by \$13 million, largely due to planned additions to long-term debt in support of the approved capital program. Net financial assets improved accordingly, reflecting enhanced short-term financial flexibility and liquidity, while maintaining alignment with the City's long-term infrastructure investment strategy.

Reserve balances remain under pressure, though targeted progress was achieved in 2025. The operating reserve improved materially, moving from a \$5.4 million deficit to a \$9.1 million surplus; however, this remains short of the City's targeted balance under its existing reserve policy, limiting the City's capacity to absorb financial shocks or fund emerging priorities without additional revenue measures. Utility capital reserves showed improvement across all major categories, supporting ongoing infrastructure sustainability. Tax-supported capital reserves remained relatively stable; however, current projections indicate a declining trajectory in the absence of additional funding, presenting a risk to the long-term viability of the capital plan and asset renewal objectives.

Looking ahead to 2026, Council approved a 3.97% tax increase as part of the operating budget. The City continues to face persistent inflationary pressures across labour, materials, and contracted services, compounded by tariff uncertainty, geopolitical factors, and evolving provincial and federal funding frameworks. These external pressures introduce ongoing volatility and constrain

the City's ability to maintain service levels and infrastructure investment without further fiscal adjustments.

Council has directed Administration to advance the Financial Roadmap to Sustainability, with a focus on strengthening financial governance, enhancing long-term planning, and improving decision-making frameworks. Key initiatives include the development of a comprehensive asset management plan, refinement of reserve and debt policies, and continued identification of operational efficiencies. Successful implementation of this roadmap will be critical to ensuring the City's long-term financial resilience and alignment between service delivery expectations and available resources.

## **Introduction**

Mayor Cindy Jefferies, Members of Council of The City of Red Deer ("The City"), I am pleased to present the 2025 Annual Financial Report. The attached report provides information to taxpayers and other members of the public about The City's 2025 financial performance. In addition, this report describes some of The City's major financial challenges and provides an assessment of The City's general economic condition.

## **Financial Statement Highlights & Analysis**

### ***Operating Results***

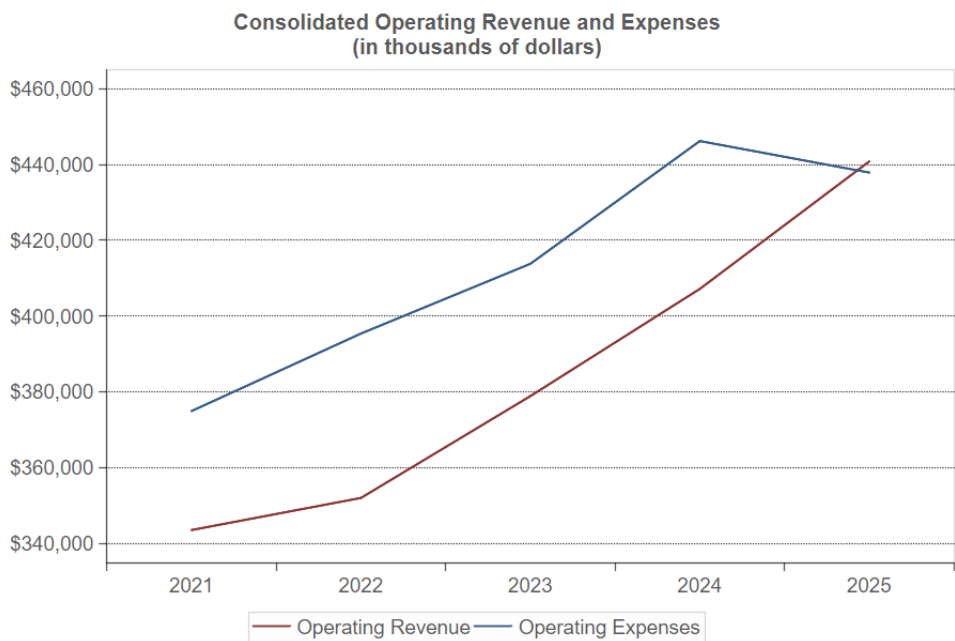
The City saw marked improvement in its operating results compared to the last few years. Operating revenues increased by \$33.6 million (8.3%) due mainly to tax revenue increase of \$17.6 million and user fee increase of \$16.3 million due mostly to utility fees and land sales. This revenue increase is in line with expectations for 2025.

Operating expenses decreased by \$8.3 million (1.9%), \$33.3 million (7.1%) less than budgeted. Materials and supplies and grants to organizations are the primary drivers for the year-over-year changes. Write down of land inventory along with more engineering projects expensed, contributed to the higher materials and supplies expense in the prior year. Grants to organizations are down from last year because of the \$7.8 million grant portion adjustment of The Westerner loan from 2024 as well as reductions in payments made to organizations funded through Outreach Support Services Initiative ("OSSI") grants in 2025.

City functions impacted by the above-mentioned decreases were:

- General government services – \$4.2 million decrease due to The Westerner loan adjustment offset by increases in consulting fees related to software upgrades, Financial Roadmap, and fractional CFO as well as higher election costs.
- Subdivisions, land, and development - \$4.9 million decrease due to last year’s land inventory write down and development projects expensed.
- Transportation and fleet - \$2.6 million decrease in contracted services and materials and supplies offset by increase in salaries and depreciation.
- Public health and planning - \$2.5 million decrease due to less OSSI grants paid out. A similar decrease is reported in OSSI grant revenue as well.

Protective services and parking was the only function that experienced an increase (\$3.8 million) due to a collective agreement settlement resulting in a three-year retro-pay accrual. All other functions remained relatively consistent with prior years.



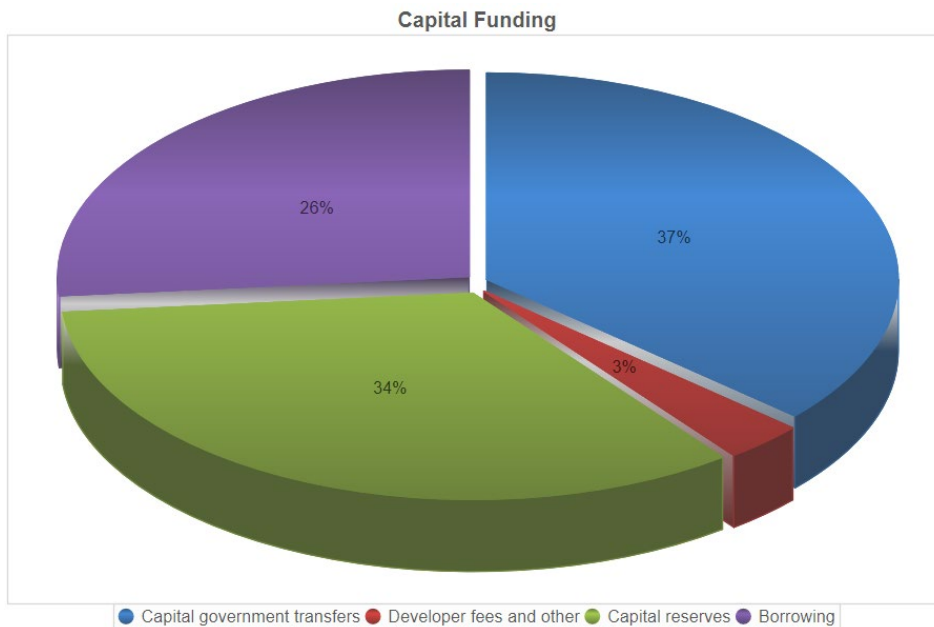
Revenues continue their upward trajectory while expenses came down just enough to result in a modest annual surplus before capital items. The City has not experienced a surplus like this since 2015. The tax increase has allowed The City to completely fund its operations; however, this will need to be maintained over the long term to continue investing in infrastructure and replenish reserves.

The \$33.3 million favourable variance to budget appears to be a positive development, but may not be sustainable in the long term, such as with staff vacancies, cost of materials and supplies, and grants to organizations. Had these

expenses been as high as expected, The City would still be reporting an annual deficit before capital items.

### Capital Results

The City’s capital expenditures fell under projections by \$32.1 million (23.3%) in 2025 and was \$9.8 million (8.5%) less than last year. Current expenditures were funded with 34% government transfers, 37% borrowing, 26% reserve, and 3% other revenue sources.



The City has borrowed \$37.5 million in debentures and used \$55.4 million of its reserves to fund capital projects, some of which was used to fund projects costs incurred in previous years, hence why the percentage of reserve funds used for current year expenditures decreased so significantly.

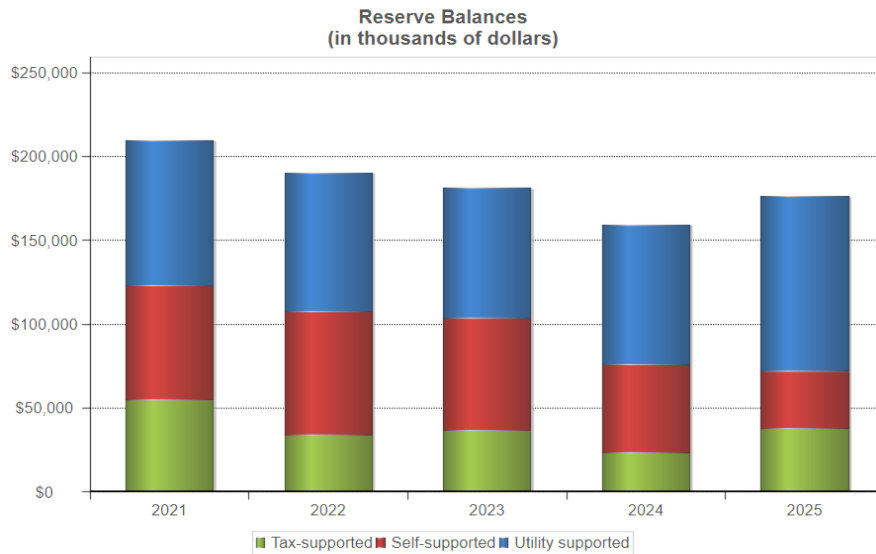
Capital grant revenue recognized in 2025 is \$44.1 million, \$13.5 million (44.1%) higher than last year. Despite the increase, The City continues to struggle spending its deferred grant revenue. Programs such as Local Government Fiscal Framework (“LGFF”) and Canada Community Building Fund (“CCBF”) require previous advances to be sufficiently spent down before they will release advances for the following year. The province is holding back a total of \$34.7 million in grant advances as of December 31, 2025, with approximately \$19.3 million of previous advances remaining unspent at the end of the year. The majority of this unspent amount is from the Municipal Sustainability Initiative (“MSI”) that ended in 2023. Until The City spends this down, the province will not

release the LGFF for 2024 and 2025. Projects approved for MSI funding have been slower to complete than newer projects approved for LGFF.

**Reserves**

The tax revenue increase ultimately resulted in a \$14.6 million increase in the operating reserve-tax supported (“ORTS”), bringing it to a positive balance of \$9.1 million. There is still a long way to go in getting this reserve back to a healthy level. Utility reserves increased by \$21 million due to higher net surpluses relative to funds used for capital projects.

Self-supported reserves have declined overall. Land development reserve decreased by \$15 million in order to fund past development projects and capital replacement reserve decreased by \$3.7 million due to capital purchases exceeding net surpluses in the year.



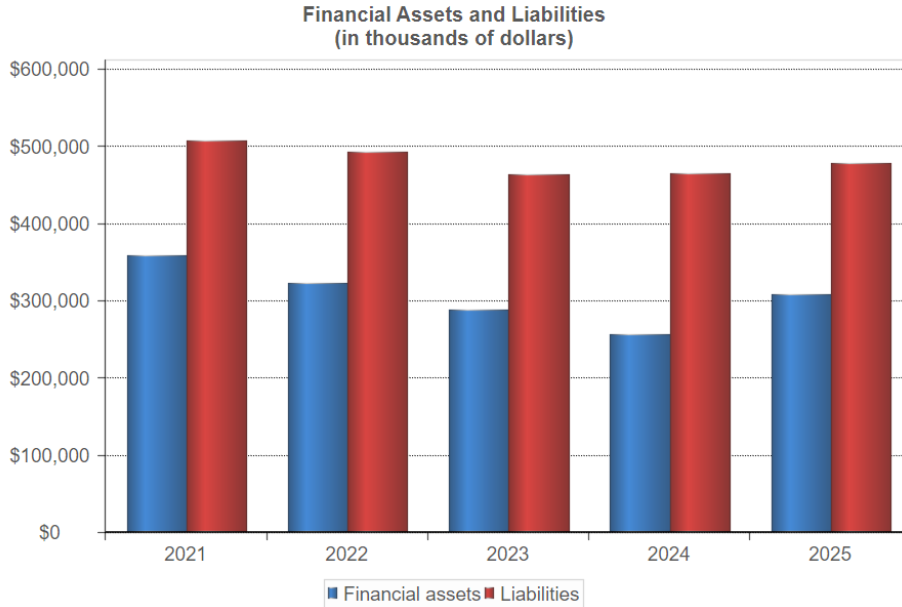
The above graph depicts the large improvement in utility-supported reserves as well as the modest improvement in tax-supported reserves, while the self-supported reserves are getting squeezed.

**Financial Position**

The Statement of Financial Position shows where The City finished at the end of 2025. Financial assets increased by \$51.6 million (20.2%), mostly due to higher cash and receivables. The increases annual surplus and borrowing contributed to the higher cash balance at the end of the year. The government transfer receivable increase of \$21.8 million is because of the LGFF and CCBF funds held back by the province. The \$7.0 million increase in investments is made up of \$4.6 million net bond purchases and \$2.5 million fair value increase on the principal protected notes.

The City's liabilities increased by \$12.7 million (2.7%). This is entirely due to new borrowings during the year, offset by decreases related to the landfill obligation estimate reduction and actuarial valuation of sick pay entitlements.

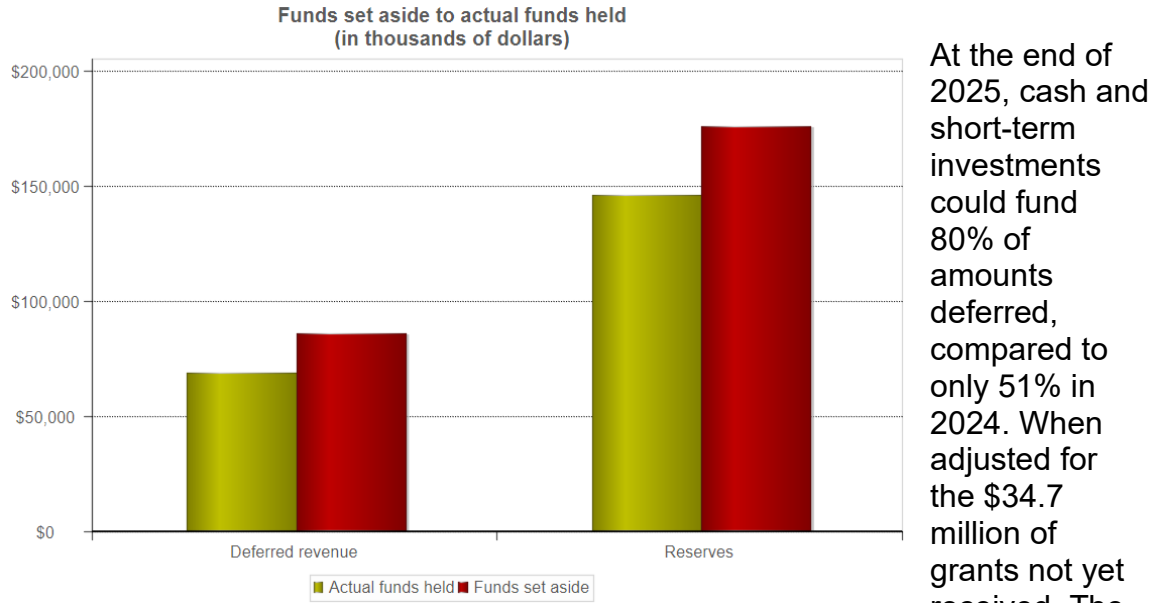
The larger increase in financial assets relative to liabilities resulted in a decrease in The City's net debt by \$38.9 million (18.6%).



This is a marked improvement over the prior year, but The City is not out of the woods yet. The increase in financial assets, such as government transfer receivable, are temporary in nature and are expected to go back down in

future years. Consistent surpluses over a longer period are necessary to bring The City out of a net debt position and into a net asset position.

One indicator that shows how well The City is managing its financial assets is to compare funds set aside for future use against actual funds held. Generally, there should be more than enough cash and short-term deposits to cover deferred revenue, and enough long-term investments to cover reserves.



City can cover 135% of deferred revenue currently set aside. This is a positive development.

Long-term investments, however, can cover 83% of reserves, which is 4% lower than last year. This is indicative that contributions to long-term investments are not yet sufficient in funding The City's future plans and more work needs to be done to get there.

Respectfully submitted,

Sam Mugford, CPA, CA  
Chief Financial Officer  
April 28, 2026

## **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



**KPMG LLP**

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## INDEPENDENT AUDITOR’S REPORT

To Her Worship the Mayor and Members of the Council of the City of Red Deer

### *Opinion*

We have audited the consolidated financial statements of the City of Red Deer (the “Entity”), which comprise:

- the consolidated statement of financial position as at December 31, 2025;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of remeasurement gains and losses for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

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

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditor’s Responsibilities for the Audit of the Financial Statements**” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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

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

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

*KPMG LLP*

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Chartered Professional Accountants

Edmonton, Canada

April 28, 2026

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2025	2024
<b>Financial Assets</b>		
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
	<b>307,485</b>	<b>255,919</b>
<b>Liabilities</b>		
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
	<b>477,678</b>	<b>464,964</b>
<b>Net Debt</b>	<b>(170,193)</b>	<b>(209,045)</b>
<b>Non-Financial Assets</b>		
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
	<b>2,303,565</b>	<b>2,281,453</b>
<b>Accumulated Surplus</b>	<b>\$ 2,133,372</b>	<b>\$ 2,072,408</b>
Accumulated surplus is comprised of:		
Accumulated operating surplus (Schedule 2, Note 15)	2,132,700	2,074,189
Accumulated rereasurement 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
<b>Revenues (Schedule 3)</b>			
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
<b>Expenses (Schedule 3, Note 19)</b>			
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
<b>Annual Operating Surplus (Deficit) before Other</b>	(31,723)	2,934	(39,029)
<b>Other (Schedule 3)</b>			
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
<b>Annual Operating Surplus (Deficit)</b>	21,589	58,511	(4,057)
<b>Accumulated Operating Surplus, start of year</b>	2,074,189	2,074,189	2,078,246
<b>Accumulated Operating Surplus, end of year</b>	\$ 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
<b>Accumulated Remeasurement Loss, start of year</b>	\$	(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)
<b>Accumulated Remeasurement Gain (Loss), end of year</b>	\$	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
<b>Annual Operating Surplus (Deficit)</b>	\$ 21,589	\$	<b>58,511</b>	\$	(4,057)
Acquisition of tangible capital assets	(137,627)		<b>(105,565)</b>		(115,368)
Contributed tangible capital assets	(6,357)		<b>(7,699)</b>		(1,797)
Tangible capital assets received in annexation	-		-		(503)
Amortization of tangible capital assets	89,077		<b>87,414</b>		84,524
Proceeds on disposal of tangible capital assets	-		<b>2,689</b>		1,399
Loss (gain) on disposal of tangible capital assets	-		<b>542</b>		(1,011)
	(54,907)		<b>(22,619)</b>		(32,756)
Net reduction of land not ready for sale	-		-		3,752
Net purchase of inventory held for use	-		<b>(902)</b>		(25)
Net reduction of prepaid expenses	-		<b>1,409</b>		990
Net remeasurement gain (loss)	-		<b>2,453</b>		(1,312)
	-		<b>2,960</b>		3,405
<b>(Increase) Decrease in Net Debt</b>	(33,318)		<b>38,852</b>		(33,408)
<b>Net Debt, start of year</b>	(209,045)		<b>(209,045)</b>		(175,637)
<b>Net Debt, end of year</b>	\$ (242,363)	\$	<b>(170,193)</b>	\$	(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
<b>Net inflow (outflow) of cash related to the following:</b>		
<b>Operating Activities</b>		
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
	<b>119,166</b>	<b>96,803</b>
<b>Capital Activities</b>		
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)
	<b>(106,533)</b>	<b>(109,262)</b>
<b>Investing Activities</b>		
Investments purchased	(74,723)	(42,760)
Investments redeemed	70,140	69,629
	<b>(4,583)</b>	<b>26,869</b>
<b>Financing Activities</b>		
Long-term debt issued	37,527	17,565
Long-term debt repaid	(19,356)	(21,439)
	<b>18,171</b>	<b>(3,874)</b>
<b>Change in cash and cash equivalents during the year</b>	<b>26,221</b>	<b>10,536</b>
<b>Cash and cash equivalents, start of year</b>	<b>17,347</b>	<b>6,811</b>
<b>Cash and cash equivalents, end of year (Note 2)</b>	<b>\$ 43,568</b>	<b>\$ 17,347</b>

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
<b>Cost:</b>									
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
<b>Accumulated Amortization:</b>									
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)
<b>Net book value of tangible capital assets</b>	<b>\$ 373,395</b>	<b>\$ 88,618</b>	<b>\$ 266,048</b>	<b>\$ 55,492</b>	<b>\$ 39,924</b>	<b>\$ 1,342,598</b>	<b>\$ 93,387</b>	<b>\$ 2,259,462</b>	<b>\$ 2,236,843</b>
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
<b>Balance, start of year</b>	\$ (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)
<b>Balance, end of year</b>	<b>\$ (14,244)</b>	<b>\$ 176,003</b>	<b>\$ 1,970,941</b>	<b>\$ 2,132,700</b>	<b>\$ 2,074,189</b>

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	<b>Total</b>
<b>Revenues</b>											
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
	<b>30,677</b>	<b>110,422</b>	<b>47,437</b>	<b>16,284</b>	<b>52,134</b>	<b>8,011</b>	<b>37,413</b>	<b>39,333</b>	<b>19,356</b>	<b>79,754</b>	<b>440,821</b>
<b>Expenses (Note 19)</b>											
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
	<b>55,554</b>	<b>102,241</b>	<b>90,563</b>	<b>16,921</b>	<b>59,861</b>	<b>2,226</b>	<b>24,015</b>	<b>22,649</b>	<b>14,238</b>	<b>49,619</b>	<b>437,887</b>
<b>Annual operating surplus (deficit) before other</b>	<b>(24,877)</b>	<b>8,181</b>	<b>(43,126)</b>	<b>(637)</b>	<b>(7,727)</b>	<b>5,785</b>	<b>13,398</b>	<b>16,684</b>	<b>5,118</b>	<b>30,135</b>	<b>2,934</b>
<b>Other</b>											
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
<b>Annual operating surplus (deficit)</b>	<b>\$ (24,124)</b>	<b>\$ 8,879</b>	<b>\$ (6,678)</b>	<b>\$ (637)</b>	<b>\$ (529)</b>	<b>\$ 5,785</b>	<b>\$ 14,644</b>	<b>\$ 22,076</b>	<b>\$ 5,118</b>	<b>\$ 33,977</b>	<b>\$ 58,511</b>

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	<b>Total</b>
<b>Revenues</b>											
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
<b>Expenses (Note 19)</b>											
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
<b>Annual operating surplus (deficit) before other</b>	(43,972)	8,696	(47,142)	(148)	(7,523)	(3,710)	11,425	14,651	4,660	24,034	(39,029)
<b>Other</b>											
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
<b>Annual surplus (deficit)</b>	\$ (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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **(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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### (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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### *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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### (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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### *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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **(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 assess 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.

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

**2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents is comprised of:

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

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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)
	<b>5,473</b>	<b>5,627</b>
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)
	<b>67,897</b>	<b>48,165</b>
	<b>\$ 73,370</b>	<b>\$ 53,792</b>

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	<b>7,888</b>	<b>9,460</b>
Residential	21,871	21,871
Industrial and commercial	14,008	14,008
Land not ready for sale	<b>35,879</b>	<b>35,879</b>
	<b>\$ 43,767</b>	<b>\$ 45,339</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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
	<b>\$ 171,538</b>	<b>\$ 167,804</b>	<b>\$ 164,502</b>	<b>\$ 159,853</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 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.

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

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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.

<b>Deferred Government Transfers</b>	2024	Additions	Interest earned	Reductions	<b>2025</b>
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
	<b>61,914</b>	<b>40,904</b>	<b>1,524</b>	<b>(50,951)</b>	<b>53,391</b>
<b>Other Deferred Revenue</b>					
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
	<b>23,192</b>	<b>18,973</b>	<b>681</b>	<b>(10,215)</b>	<b>32,631</b>
	<b>\$ 85,106</b>	<b>\$ 59,877</b>	<b>\$ 2,205</b>	<b>\$ (61,166)</b>	<b>\$ 86,022</b>

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.

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

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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).

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### *(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).

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

**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
	<b>\$ 304,477</b>	<b>\$ 286,306</b>

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
	<b>\$ 304,477</b>	<b>\$ 127,497</b>	<b>\$ 431,974</b>

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.

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

**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:

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

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

**13 TANGIBLE CAPITAL ASSETS**

	2025	2024
<b>Net book value</b>		
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
	<b>2,166,075</b>	<b>2,147,645</b>
Assets under construction	93,387	89,198
	<b>\$ 2,259,462</b>	<b>\$ 2,236,843</b>

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.

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

**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)
	<b>\$ 1,970,941</b>	<b>\$ 1,967,219</b>

**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
	<b>\$ 2,132,700</b>	<b>\$ 2,074,189</b>

**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
<b>Taxes net of requisitions</b>			
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
<b>Requisitions</b>			
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

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

**18 GOVERNMENT TRANSFERS**

	Budget	2025	2024
<b>Operating</b>			
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
<b>Total Operating</b>	<b>18,375</b>	<b>16,830</b>	<b>18,399</b>
<b>Capital</b>			
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
<b>Total Capital</b>	<b>45,443</b>	<b>44,070</b>	<b>30,576</b>
	\$ 63,818	\$ 60,900	\$ 48,975

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

**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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 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)		
<b>Mayor:</b>				
C. Jefferies	\$ 18	\$ 4	\$ 22	\$ -
K. Johnston	109	18	127	147
	127	22	149	147
<b>Councillors:</b>				
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
<b>City Manager:</b>				
T. Lodewyk	301	43	344	348
<b>Designated Officers:</b>				
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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 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
	<b>\$ 43,105</b>	<b>\$ 33,431</b>

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

*(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

*(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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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
<b>Reported budget surplus (deficit)</b>	\$ (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
<b>Final budget surplus (deficit) before funding transfers</b>	(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
<b>Final budget balance</b>	\$ -	\$ -	\$ -

#### 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
Non-residential	9.8971	9.8613	9.8194	9.9188	9.9633
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
Property taxes (includes requisitions)	21.6675	20.1558	19.3772	18.8302	18.7692
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
<b>Funding sources applied:</b>					
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
<b>Total funding</b>	<b>143,168</b>	<b>103,754</b>	<b>107,540</b>	<b>105,916</b>	<b>121,861</b>
<b>Capital expenditure by function:</b>					
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
<b>Total capital spending</b>	<b>104,809</b>	<b>114,170</b>	<b>109,665</b>	<b>114,134</b>	<b>114,583</b>
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
<b>Total Operating Revenue</b>	<b>440,821</b>	<b>407,177</b>	<b>378,878</b>	<b>351,988</b>	<b>343,510</b>
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
<b>Consolidated Revenue</b>	<b>\$ 496,398</b>	<b>\$ 442,149</b>	<b>\$ 434,226</b>	<b>\$ 405,188</b>	<b>\$ 394,775</b>

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
<b>Total operating expenses</b>	<b>\$ 437,887</b>	<b>\$ 446,206</b>	<b>\$ 413,806</b>	<b>\$ 395,384</b>	<b>\$ 374,924</b>

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
<b>Total operating expenses</b>	<b>\$ 437,887</b>	\$	<b>446,206</b>	\$	<b>413,806</b>	\$	<b>395,384</b>	\$	<b>374,924</b>

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)
<b>Tax-supported reserves</b>	<b>37,689</b>	<b>23,669</b>	<b>36,530</b>	<b>34,051</b>	<b>54,749</b>
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)
<b>Self-supported reserves</b>	<b>34,242</b>	<b>52,632</b>	<b>67,289</b>	<b>73,586</b>	<b>68,384</b>
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
<b>Utility-supported reserves</b>	<b>104,072</b>	<b>82,989</b>	<b>77,243</b>	<b>82,629</b>	<b>79,974</b>
	\$ 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	-	-	-	-
<b>Total</b>	<b>\$ 37,527</b>	<b>\$ 17,565</b>	<b>\$ 12,767</b>	<b>\$ 22,276</b>	<b>\$ 43,513</b>

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
<b>Total long-term debt</b>	<b>304,477</b>	<b>286,306</b>	<b>290,180</b>	<b>300,584</b>	<b>300,131</b>
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
<b>Operating transfers</b>					
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
	<b>16,830</b>	<b>18,399</b>	<b>18,918</b>	<b>17,614</b>	<b>21,471</b>
<b>Capital transfers</b>					
Provincial	28,828	24,190	28,494	14,276	21,470
Federal	15,242	6,386	22,217	32,423	23,367
	<b>44,070</b>	<b>30,576</b>	<b>50,711</b>	<b>46,699</b>	<b>44,837</b>
	<b>\$ 60,900</b>	<b>\$ 48,975</b>	<b>\$ 69,629</b>	<b>\$ 64,313</b>	<b>\$ 66,308</b>

## 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.