CITY OF COLD LAKE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

TABLE OF CONTENTS

METRIX GROUP LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Cold Lake

Opinion

We have audited the financial statements of the City of Cold Lake (the "City"), which comprise the statement of financial position as at December 31, 2025, statement of operations and accumulated surplus, statement of remeasurement gains and losses, changes in net financial assets and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2025, and the results of its operations and its cash flows for the years 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the City 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Emphasis of Matter – Restated Comparative Information

We draw attention to Note 24 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2024 has been restated. Our opinion is not modified in respect of this matter.

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

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

In preparing the financial statements, management is responsible for assessing the City'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 City or to cease operations, or has no realistic alternative but to do so.

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

(continues)

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism through out 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 City's internal control.

- Evaluate the appropriateness of accounting policies 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 City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Metrix Group LLP

Chartered Professional Accountants

Edmonton, Alberta
April 14, 2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation and presentation of the accompanying financial statements including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards (PSAS). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of the financial statements.

The elected Mayor and Council of the City of Cold Lake are composed entirely of individuals who are neither management nor employees of the City. The Mayor and Council have the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters, and financial reporting issues. The Mayor and Council are also responsible for the appointment of the City's external auditors.

Metrix Group LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the financial statements and to report directly to them. The external auditors have full and free access to, and meet periodically and separately with, both Mayor and Council and management to discuss their audit findings.

Kevin Nagoya
Chief Administrative Officer

Kris[illegible] Is[illegible]
General Manager of Corporate Services

Cold Lake, Alberta
April 14, 2026

CITY OF COLD LAKE
STATEMENT OF FINANCIAL POSITION
As at December 31, 2025

		2025	2024 (Restated) (Note 24)
Financial Assets			
Cash	Note 2	**$ 42,393,729**	$ 21,820,413
Accounts receivable	Note 3	**11,412,143**	9,479,833
Land held for resale	Note 4	**1,199,000**	1,215,000
Investments	Note 5	**57,113,571**	57,519,160
Investment in Cold Lake Primary Care Medical Clinic Ltd.	Note 6	**1,944,207**	2,058,612
		114,062,650	92,093,018
Liabilities			
Accounts payables and accrued liabilities	Note 7	**17,119,806**	9,691,255
Deposit liabilities		**882,573**	760,924
Deferred revenue	Note 8	**9,447,145**	8,605,492
Employee benefits obligations	Note 9	**1,465,912**	1,257,534
Long-term debt	Note 10	**64,016,016**	48,195,883
Asset retirement obligations	Note 12	**4,999,399**	4,726,534
		97,930,851	73,237,622
Net Financial Assets		**16,131,799**	18,855,396
Non-Financial Assets			
Tangible capital assets	Schedule 7	**329,499,567**	318,545,270
Inventory of supplies and materials		**602,639**	631,645
Prepaid expenses		**730,382**	617,003
		330,832,588	319,793,918
Accumulated Surplus	Note 17	**$346,964,387**	$338,649,314
Accumulated Surplus consists of:			
Accumulated surplus from operations	Schedule 1	**347,035,141**	340,780,213
Accumulated remeasurement gains (losses)		**(70,754)**	(2,130,899)
		$346,964,387	$338,649,314

CONTINGENCIES Note 13

ON BEHALF OF COUNCIL:

MAYOR **COUNCILLOR**

The accompanying notes are an integral part of the financial statements.

CITY OF COLD LAKE

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For The Year Ended December 31, 2025

		2025 (Budget) (Note 18)	**2025 (Actual)**	2024 (Restated) (Note 24)
Revenue				
Net municipal taxes	Schedule 2	$ 24,541,526	**$ 25,063,701**	$ 23,452,511
Sales and user charges		12,384,390	**13,585,149**	12,454,371
Government transfers - operating	Schedule 3	11,729,805	**11,893,320**	12,260,512
Penalties and cost on taxes		315,000	**6,748,674**	5,720,768
Investment income	Note 15	760,000	**1,891,519**	2,647,058
Franchise and concession contracts	Note 14	1,888,487	**1,857,219**	1,821,043
Rentals		1,387,028	**1,456,066**	1,396,177
Other		(15,500)	**552,926**	1,245,477
License, permits, and fines		400,300	**394,930**	360,796
Subsidiary operations	Note 6	-	**(114,406)**	(39,919)
		53,391,036	**63,329,098**	61,318,794
Expenses				
Recreation and culture		11,097,373	**15,665,604**	15,766,514
Transportation systems		8,974,920	**14,368,483**	13,806,769
Administration		7,176,614	**13,204,723**	12,041,997
Utility systems		8,513,244	**10,360,505**	10,706,217
Police and bylaw enforcement		7,181,601	**6,461,956**	6,665,891
Fire and emergency services		1,451,376	**2,071,168**	2,065,999
Public health and welfare		1,786,991	**2,065,591**	1,858,831
Planning and development		1,887,180	**1,708,605**	1,687,806
Council		581,843	**728,424**	552,956
Other		300,000	**-**	220,000
		48,951,142	**66,635,059**	65,372,980
Annual Deficit before the Undernoted		4,439,894	**(3,305,961)**	(4,054,186)
Government transfers - capital	Schedule 3	8,655,884	**9,627,173**	9,471,347
Loss on disposal of tangible capital assets		-	**(66,284)**	(2,406,279)
		8,655,884	**9,560,889**	7,065,068
Annual Surplus		13,095,778	**6,254,928**	3,010,882
Accumulated Surplus, Opening (As Previous Stated)		-	**338,844,013**	337,769,331
Restatement	Note 24	-	**1,936,200**	-
Accumulated Surplus, Opening		340,780,213	**340,780,213**	337,769,331
Accumulated Surplus, Closing		$353,875,991	**$347,035,141**	$340,780,213

CITY OF COLD LAKE

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For The Year Ended December 31, 2025

	2025 (Budget) (Note 18)	**2025 (Actual)**	2024 (Restated) (Note 24)
Annual Surplus	$ 13,095,778	**$ 6,254,928**	$ 3,010,882
Inventory and Prepaid Expenses			
Consumption (acquisition) of inventory	-	**29,006**	(120,748)
Acquisition of prepaid expenses	-	**(113,379)**	(17,565)
	-	**(84,373)**	(138,313)
Tangible Capital Assets			
Acquisition of tangible capital assets	(31,681,968)	**(23,817,933)**	(17,857,856)
Proceeds on disposal of tangible capital assets	-	**378,265**	801,060
Amortization of tangible capital assets	-	**12,419,087**	11,990,673
Loss on disposal of tangible capital assets	-	**66,284**	2,406,279
	(31,681,968)	**(10,954,297)**	(2,659,844)
Other			
Change in accumulated remeasurement gain (loss)	-	**2,060,145**	(1,124,854)
Change in Net Assets	(18,586,190)	**(2,723,597)**	(912,129)
Net Assets, Opening	18,855,396	**18,855,396**	19,767,525
Net Assets, Closing	$ 269,206	**$ 16,131,799**	$ 18,855,396

CITY OF COLD LAKE

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For The Year Ended December 31, 2025

	2025	2024
Accumulated Remeasurement Losses, Opening	**$ (2,130,899)**	$ (1,006,045)
Amounts reclassified to consolidated statement of operations:		
Portfolio investments	**171,695**	533,249
Unrealized gain (loss) attributable to:		
Investments designated at fair value	**1,583,176**	(1,626,727)
Financial contracts	**305,274**	(31,376)
Net change for the year	**2,060,145**	(1,124,854)
Accumulated Remeasurement Losses, Closing	**$ (70,754)**	$ (2,130,899)

CITY OF COLD LAKE
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2025

	2025	2024
Cash Provided by (Used For):		
Operating Activities		
Annual Surplus	**$ 6,254,928**	$ 3,010,882
Items not involving cash:		
Gain on disposal of investments	**(4,892)**	-
Amortization of bond discounts	**5,247**	17,001
Loss on disposal of tangible capital assets	**66,284**	2,406,279
Amortization of tangible capital assets	**12,419,087**	11,990,673
Equity in Cold Lake Primary Care Medical Clinic Ltd.	**114,405**	39,919
Accretion expense	**236,327**	225,030
Change in non-cash working capital balances:		
Increase / (Decrease) in accounts receivables	**(1,932,310)**	(4,975,941)
Decrease / (Increase) in land held for resale	**16,000**	(36,800)
Decrease / (Increase) in accounts payables and accrued liabilities	**7,733,823**	(7,830,459)
Decrease / (Increase) in deposit liabilities	**121,649**	(302,346)
Increase / (Decrease) in deferred revenue	**841,653**	(192,717)
Increase / (Decrease) in employee benefits obligations	**208,378**	(529)
Increase / (Decrease) in inventory of supplies and materials	**29,006**	(120,748)
Increase / (Decrease) in prepaid expenses	**(113,379)**	(17,565)
	25,996,206	4,212,679
Capital Activities		
Acquisition of tangible capital assets	**(23,817,933)**	(17,857,856)
Proceeds on disposal of tangible capital assets	**378,265**	801,060
Asset retirement obligation additions	**36,538**	899
Asset retirement obligations settled	**-**	(179,786)
	(23,403,130)	(17,235,683)
Investing Activities		
Proceeds of investments	**17,560,708**	14,240,900
Purchase of investments	**(15,400,601)**	(10,000,545)
Contributions to Cold Lake Primary Care Medical Clinic Ltd.	**-**	(60,000)
	2,160,107	4,180,355
Financing Activities		
Repayment of long-term debt	**(3,429,867)**	(3,220,442)
Acquisition of long-term debt	**19,250,000**	500,000
	15,820,133	(2,720,442)
Increase (Decrease) in Cash	**20,573,316**	(11,563,091)
Cash, Opening	**21,820,413**	33,383,504
Cash, Closing	**$ 42,393,729**	$ 21,820,413

CITY OF COLD LAKE
SCHEDULE 1 - CHANGES IN ACCUMULATED SURPLUS
For The Year Ended December 31, 2025

		Unrestricted	Restricted Surplus	Equity in Tangible Capital Assets	**2025**	2024 (Restated) (Note 24)
Balance, Opening (as previously stated)		$ 28,110,273	$ 44,610,887	$ 266,122,853	**$ 338,844,013**	$ 337,769,331
Restatement	Note 24	1,936,200	-	-	**1,936,200**	-
Balance, Opening (as restated)		30,046,473	44,610,887	266,122,853	**340,780,213**	337,769,331
Annual surplus		6,254,928	-	-	**6,254,928**	3,010,882
Funds designated for future use		(36,823,600)	36,823,600	-	**-**	-
Restricted funds used for operations		366,263	(366,263)	-	**-**	-
Restricted funds used for tangible capital assets		-	(23,817,933)	23,817,933	**-**	-
Disposal of tangible capital assets		444,549	-	(444,549)	**-**	-
Annual amortization expense		12,419,087	-	(12,419,087)	**-**	-
Accretion expense		236,327	-	(236,327)	**-**	-
Acquisition of long-term debt		19,250,000	-	(19,250,000)	**-**	-
Long-term debt repaid		(3,429,867)	-	3,429,867	**-**	-
Asset retirement obligations - additions		36,538	-	(36,538)	**-**	-
Balance, Closing		$ 28,800,698	$ 57,250,291	$ 260,984,152	**$ 347,035,141**	$ 340,780,213

CITY OF COLD LAKE
SCHEDULE 2 - PROPERTY TAXES
For The Year Ended December 31, 2025

	2025 (Budget) (Note 18)	**2025 (Actual)**	2024 (Actual)
Taxation			
Real property taxes	$ 24,899,930	**$ 24,997,175**	$ 23,116,301
Linear property taxes	530,000	**533,289**	485,996
Government grants in place of taxes	6,800,000	**6,779,193**	6,667,379
Local improvement taxes	-	**462,781**	-
	32,229,930	**32,772,438**	30,269,676
Less Requisitions			
Alberta School Foundation Fund	7,459,208	**7,478,947**	6,591,544
Lakeland Lodge and Housing Foundation	227,016	**227,609**	223,416
Designated Industrial Property	2,180	**2,181**	2,205
	7,688,404	**7,708,737**	6,817,165
	$ 24,541,526	**$ 25,063,701**	$ 23,452,511

CITY OF COLD LAKE
SCHEDULE 3 - GOVERNMENT TRANSFERS
For The Year Ended December 31, 2025

	2025 (Budget) (Note 18)	**2025 (Actual)**	2024 (Restated) (Note 24)
Government Transfers - Operating			
Other local governments (ID 349)	$ 8,128,000	**$ 8,128,000**	$ 8,128,000
Local government transfers	2,435,353	**2,450,415**	2,457,763
Family and Community Support Services	527,165	**527,915**	529,415
Police support grant	520,000	**525,288**	525,288
Local Government Fiscal Framework	114,287	**228,574**	228,574
Other provincial grants	-	**27,290**	215,908
Other federal grants	5,000	**5,000**	139,371
Clean Energy Improvement Program	-	**838**	36,193
	11,729,805	**11,893,320**	12,260,512
Government Transfers - Capital			
Other local governments (ID349)	5,282,172	**6,582,332**	5,967,827
Government transfers - capital	3,373,712	**3,044,841**	3,503,520
	8,655,884	**9,627,173**	9,471,347
	$ 20,385,689	**$ 21,520,493**	$ 21,731,859

CITY OF COLD LAKE
SCHEDULE 4 - EXPENSES BY OBJECT
For The Year Ended December 31, 2025

	2025 (Budget) (Note 18)	**2025 (Actual)**	2024 (Actual)
Expenses			
Salaries and wages	$ 19,216,233	**$ 18,900,467**	$ 18,113,131
Amortization	-	**12,419,087**	11,990,673
Contracted and general services	10,633,265	**11,272,162**	11,436,047
Purchases from other governments	7,836,269	**7,291,521**	7,420,557
Bad debt expense	1,008,000	**6,947,312**	6,123,734
Materials, goods and supplies	6,383,659	**5,714,575**	5,779,879
Interest on long-term debt	1,725,365	**1,855,406**	1,708,551
Transfer to individuals and organizations	1,735,303	**1,719,336**	2,230,335
Accretion	-	**236,327**	225,030
Other expenses	366,700	**208,808**	286,388
Loss on disposal	-	**66,284**	2,406,279
Bank charges and other fees	46,348	**70,058**	58,655
	$ 48,951,142	**$ 66,701,343**	$ 67,779,259

CITY OF COLD LAKE
SCHEDULE 5 - SEGMENTED DISCLOSURES
For The Year Ended December 31, 2025

	General Government	Protective Services	Utilities	Transportation Services	Public Health and Welfare	Planning & Development	Recreation & Culture	**2025 Total**
Revenue								
Net municipal taxes	$ 25,063,701	$ -	$ -	$ -	$ -	$ -	$ -	**$ 25,063,701**
User fees and sale of goods	1,983,872	460,619	10,568,093	542,848	122,203	423,164	2,965,332	**17,066,131**
Government transfers for operating	8,479,412	829,733	7,000	20,000	805,224	(17,620)	1,769,571	**11,893,320**
Other revenues	6,767,446	113,184	37,840	66,028	194,897	36,038	198,994	**7,414,427**
Investment income	1,891,519	-	-	-	-	-	-	**1,891,519**
	44,185,950	1,403,536	10,612,933	628,876	1,122,324	441,582	4,933,897	**63,329,098**
Expenses								
Salaries, wages, and benefits	3,955,126	2,578,005	2,878,641	3,163,373	1,004,613	1,071,024	4,249,685	**18,900,467**
Amortization	304,737	688,491	1,641,473	5,284,944	316,333	24,501	4,158,608	**12,419,087**
Contracted and general services	2,380,281	802,402	1,619,733	3,168,470	248,245	517,831	2,535,200	**11,272,162**
Purchase from other governments	-	3,979,197	3,312,324	-	-	-	-	**7,291,521**
Other expenses	7,096,052	9,381	23,970	3,115	503	295	92,862	**7,226,178**
Materials, goods, supplies, and utilities	115,362	290,437	794,747	2,103,871	189,791	35,585	2,184,782	**5,714,575**
Transfer to individuals and organization	-	23,813	-	-	231,205	44,862	1,419,456	**1,719,336**
Interest on capital long-term debt	81,589	158,405	25,711	643,958	74,901	14,507	856,335	**1,855,406**
Accretion	-	2,993	63,906	752	-	-	168,676	**236,327**
	13,933,147	8,533,124	10,360,505	14,368,483	2,065,591	1,708,605	15,665,604	**66,635,059**
Annual Surplus (Deficit) before Undernoted	30,252,803	(7,129,588)	252,428	(13,739,607)	(943,267)	(1,267,023)	(10,731,707)	**(3,305,961)**
Other Income								
Government transfers for capital	6,582,332	-	-	3,044,841	-	-	-	**9,627,173**
Loss on disposal of tangible capital assets	17,287	-	-	(69,761)	-	-	(13,810)	**(66,284)**
	6,599,619	-	-	2,975,080	-	-	(13,810)	**9,560,889**
Annual Surplus (Deficit)	$ 36,852,422	$ (7,129,588)	$ 252,428	$ (10,764,527)	$ (943,267)	$ (1,267,023)	$ (10,745,517)	**$ 6,254,928**

The accompanying notes are an integral part of the city financial statements.

CITY OF COLD LAKE
SCHEDULE 6 - SEGMENTED DISCLOSURES
For The Year Ended December 31, 2024

	General Government	Protective Services	Utilities	Transportation Services	Public Health and Welfare	Planning & Development	Recreation & Culture	**2024 Total** (Restated) (Note 24)
Revenue								
Net municipal taxes	$ 23,452,511	$ -	$ -	$ -	$ -	$ -	$ -	**$ 23,452,511**
User fees and sale of goods	1,947,391	464,450	9,619,883	475,006	100,528	367,937	2,942,243	**15,917,438**
Government transfers for operating	8,668,026	824,101	24,881	159,371	819,133	30,000	1,735,000	**12,260,512**
Other revenues	5,812,505	166,808	29,596	469,452	102,245	377,165	83,504	**7,041,275**
Investment income	2,647,058	-	-	-	-	-	-	**2,647,058**
	42,527,491	1,455,359	9,674,360	1,103,829	1,021,906	775,102	4,760,747	**61,318,794**
Expenses								
Salaries, wages, and benefits	3,808,585	2,570,873	2,771,353	2,942,725	1,038,580	1,012,393	3,968,622	**18,113,131**
Amortization	219,917	637,663	1,615,515	5,283,683	228,400	12,927	3,992,568	**11,990,673**
Contracted and general services	2,249,849	741,936	1,483,615	3,027,792	243,785	560,298	3,128,772	**11,436,047**
Purchase from other governments	-	4,260,580	3,159,977	-	-	-	-	**7,420,557**
Other expenses	6,406,055	9,371	9,059	7,183	1,797	1,178	34,133	**6,468,776**
Materials, goods, supplies, and utilities	121,054	320,337	912,299	2,047,080	166,932	52,610	2,159,568	**5,779,880**
Transfer to individuals and organization	-	18,300	665,010	-	100,426	48,400	1,398,199	**2,230,335**
Interest on capital long-term debt	9,493	169,979	28,527	497,590	78,911	-	924,051	**1,708,551**
Accretion	-	2,851	60,862	716	-	-	160,601	**225,030**
	12,814,953	8,731,890	10,706,217	13,806,769	1,858,831	1,687,806	15,766,514	**65,372,980**
Annual Surplus (Deficit) before Other Income	29,712,538	(7,276,531)	(1,031,857)	(12,702,940)	(836,925)	(912,704)	(11,005,767)	**(4,054,186)**
Other Income								
Government transfers for capital	5,967,827	-	-	3,503,520	-	-	-	**9,471,347**
Loss on disposal of tangible capital assets	17,530	42,772	(3,497)	(1,056,885)	(35,996)	-	(1,370,203)	**(2,406,279)**
	5,985,357	42,772	(3,497)	2,446,635	(35,996)	-	(1,370,203)	**7,065,068**
Annual Surplus (Deficit)	$ 35,697,895	$ (7,233,759)	$ (1,035,354)	$ (10,256,305)	$ (872,921)	$ (912,704)	$ (12,375,970)	**$ 3,010,882**

CITY OF COLD LAKE
SCHEDULE 7 - TANGIBLE CAPITAL ASSETS
For The Year Ended December 31, 2025

	Land	Land Improvement	Buildings	Engineering Structures	Machine & Equipment	Vehicles	Work in Progress	**2025**
Cost								
Balance, Opening	$ 41,144,506	$ 30,320,073	$ 108,081,045	$ 255,314,985	$ 18,550,790	$ 11,313,988	$ 25,038,097	**$ 489,763,484**
Acquired	600,000	249,031	45,825	-	1,029,120	-	21,893,957	**23,817,933**
Disposals	(66,138)	-	(187,862)	-	(203,550)	-	(164,102)	**(621,652)**
Transfers	-	11,921,584	136,920	396,487	-	-	(12,454,991)	**-**
Balance, Closing	41,678,368	42,490,688	108,075,928	255,711,472	19,376,360	11,313,988	34,312,961	**512,959,765**
Accumulated Amortization								
Balance, Opening	-	8,673,027	24,508,300	122,362,413	9,940,120	5,734,354	-	**171,218,214**
Amortization	-	1,526,998	2,657,896	5,921,535	1,470,405	842,253	-	**12,419,087**
Disposals	-	-	(14,090)	-	(163,013)	-	-	**(177,103)**
Balance, Closing	-	10,200,025	27,152,106	128,283,948	11,247,512	6,576,607	-	**183,460,198**
Net Book Value, Closing	$ 41,678,368	$ 32,290,663	$ 80,923,822	$ 127,427,524	$ 8,128,848	$ 4,737,381	$ 34,312,961	**$ 329,499,567**

CITY OF COLD LAKE

SCHEDULE 8 - TANGIBLE CAPITAL ASSETS

For The Year Ended December 31, 2024

	Land	Land Improvement	Buildings	Engineering Structures	Machinery & Equipment	Vehicles	Work in Progress	**2024**
Cost								
Balance, Opening	$ 41,048,045	$ 28,145,306	$ 103,368,020	$ 250,737,144	$ 17,618,497	$ 10,870,924	$ 24,256,721	**$ 476,044,657**
Acquired	689,375	384,962	305,062	15,499	720,708	767,947	14,974,303	**17,857,856**
Disposals	(592,914)	(13,666)	(821,446)	(556,582)	(403,484)	(354,883)	(1,396,054)	**(4,139,029)**
Transfers	-	1,803,471	5,229,409	5,118,924	615,069	30,000	(12,796,873)	**-**
Cost, Closing	41,144,506	30,320,073	108,081,045	255,314,985	18,550,790	11,313,988	25,038,097	**489,763,484**
Accumulated Amortization								
Balance, Opening	-	7,259,650	21,984,069	116,913,183	8,732,356	5,269,973	-	**160,159,231**
Amortization	-	1,413,377	2,524,231	5,852,706	1,435,728	764,631	-	**11,990,673**
Disposals	-	-	-	(403,476)	(227,964)	(300,250)	-	**(931,690)**
Balance, Closing	-	8,673,027	24,508,300	122,362,413	9,940,120	5,734,354	-	**171,218,214**
Net Book Value, Closing	$ 41,144,506	$ 21,647,046	$ 83,572,745	$ 132,952,572	$ 8,610,670	$ 5,579,634	$ 25,038,097	**$ 318,545,270**

The City of Cold Lake (the "City") is a municipality in the Province of Alberta, Canada and operates under the provision of the *Municipal Government Act*.

1. Significant Accounting Policies

The financial statements of the City of Cold Lake (the "City") are the representations of management, prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the City are as follows:

a. Reporting Entity

The financial statements reflect the assets, liabilities, revenues, expenses, accumulated surplus, and cash flows of the City.

The reporting entity includes the municipal operations of the City and organizations that are controlled by the City and accountable to City Council for the administration of their financial affairs and resources, and that do not meet the definition of a government business enterprise.

The following entities are fully consolidated on a line-by-line basis with the City's municipal operations:

City of Cold Lake – Municipal Operations
Cold Lake Family and Community Support Services (FCSS)

Inter-organizational balances and transactions between these consolidated entities have been eliminated on consolidation.

The City also controls Cold Lake Primary Care Medical Clinic Ltd.. (the "Clinic"), a wholly owned corporation that operates a medical clinic in Cold Lake, Alberta. The Clinic is classified as a government business enterprise, as it is a separate legal entity that:

- is controlled by the City;
- sells goods or services to individuals and organizations outside the government reporting entity as its principal activity; and
- is able to finance its operations from revenues generated outside the government reporting entity.

As a government business enterprise, the Clinic is not consolidated with the City's municipal operations. Instead, the City's interest in the Clinic is accounted for using the modified equity method, in accordance with Canadian public sector accounting standards. Under this method, the City's investment in the Clinic is recorded as "Investment in Cold Lake Primary Care Medical Clinic Ltd." on the Statement of Financial Position, and the City's share of the Clinic's net income or loss for the year is reported as "Subsidiary operations" in the Statement of Operations and Accumulated Surplus.

The financial statements exclude trust assets administered by the City for the benefit of external parties.

1. Significant Accounting Policies (continued)

b. Basis of Accounting

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

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues, can be reliably measured and reasonably estimated. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized in the period the goods or services are acquired and a liability is incurred or transfers are due.

c. Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards. This requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statement and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Such estimates include the provisions for uncollected accounts receivable, provision for amortization of tangible capital assets, asset retirement obligations, fair value of contributed tangible capital assets, and accrued liabilities. Actual results could differ from estimates.

In addition, developer contributions and offsite levies utilize forecasted development costs, staging, and financing requirements.

d. Cash and Temporary Investments

Cash and temporary investments include items that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value, with a maturity of three months or less at the time of acquisition.

e. Revenue Recognition

Revenue related to transactions with performance obligations is recognized when the performance obligations have been completed. This includes providing promised services and/or goods to the payor. Items such as user fees have revenue recognized over the period of use. License and permit revenue is recognized upon issuance unless a continued performance obligation spanning over a greater period of time exists.

Revenue related to transactions with no performance obligations is recognized upon receipt.

f. Investments

Investments are initially recorded at fair value and are subsequently measured either at amortized cost or fair value, depending on their nature and the City's investment strategy, in accordance with Canadian public sector accounting standards.

Investments measured at amortized cost include fixed-income securities that do not contain embedded derivatives and are held to maturity or held for the collection of contractual cash flows. These investments are recorded at amortized cost using the effective interest rate method. Investment premiums and discounts are amortized over the term of the respective investments.

Investments measured at fair value include investments that contain embedded derivatives or are otherwise designated to be measured at fair value. Changes in the fair value of these investments are recognized as unrealized gains and losses in the Statement of Remeasurement Gains and Losses until the investments are disposed of or settled, at which time the cumulative gains or losses are reclassified to the Statement of Operations and Accumulated Surplus.

Investment income includes interest and dividends earned during the year, amortization of investment premiums and discounts, and realized gains and losses on the disposal of investments. Investment income is recognized on an accrual basis.

Additional information regarding the composition, fair value hierarchy, and risk exposure of the City's investments is disclosed in Note 5.

g. 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. Where 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.

h. Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal revenue.

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectable from property owners for work performed by the City. Under the accrual basis of accounting, revenues to be received from local improvement assessments are recognized in full in the period the local improvement project costs are incurred and the passing of the related imposition bylaw.

1. Significant Accounting Policies (continued)

i. Government Transfers

Government transfers are the transfer of assets from other government entities that are not the result of an exchange transaction, are not expected to be repaid in the future, and are not the result of a direct financial return.

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

The deferred revenue includes any grants that are unspent at December 31, 2025 and the revenue will be realized as the grant is utilized in the following year.

j. Developer Contributions

Developer contributions are recognized as revenue in the period they are used for the purpose specified.

k. Developer Offsite Levies

Offsite levies are collected from developers upon the execution of a development agreement as per the offsite levy bylaw. These funds are restricted to fund the construction of specific infrastructure and are recognized as revenue once the infrastructure has been built and the City has provided a construction completion certificate.

l. Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes cost for land acquisition and improvements required to prepare the land for servicing, such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks, and street lighting are recorded as capital assets under their respective function.

m. Derivatives

The City uses derivative financial instruments consisting of bank interest rate swap agreements to manage its interest rate exposure. The City specifically designates these agreements as hedges of debt instruments and recognizes interest rate differentials as adjustments to interest expense in the period the differentials occur. Under interest rate swap agreements, the City agrees with other parties to exchange at specific intervals, the difference between fixed-rate and variable-rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The fair value of the interest rate swap agreements is estimated using quotes from counterparties and represents the cash requirement if the existing agreements had been settled at year end.

1. Significant Accounting Policies (continued)

n. Remeasurement Gains and Losses

Unrealized gains and losses from changes in the fair market value of financial assets and liabilities are recognized in the statement of remeasurement gains and losses.

o. Financial Instruments

The City's carrying value of cash and temporary investments, taxes and grants in place of taxes receivable, trade and other receivables, investments, accounts payable, and accrued liabilities, and deposit liabilities approximates its fair value due to the immediate or short-term liquidity of these instruments.

The carrying value of long-term debt approximates fair value as the interest rates are consistent with the current rates available for instruments with similar terms.

p. 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 excess of revenues over expenses, provides the change in net financial assets (debt) for the year.

i. Tangible Capital Assets

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

Asset Type	Years
Land Improvements	15-20
Buildings	10-40
Roadway Systems	10-40
Water/Wastewater Systems	40-50
IT Infrastructure	5-30
Machinery and Equipment	10
Vehicles	10-25

Annual amortization is charged in the first full year after an asset is acquired. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue. The date of receipt is the day the City issues a construction completion certificate.

1. Significant Accounting Policies (continued)

p. Non-Financial Assets (continued)

iii. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets and are not amortized. Costs for public art are expressed in the period they are incurred.

iv. Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the first-in-first-out method.

v. Asset Retirement Obligations

Asset retirement obligations are statutory, contractual, or legal obligations associated with the retirement of tangible capital assets. These asset retirement activities include all activities related to an asset retirement obligation which may include, but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired,constructed, or developed;
- remediation of contamination of a tangible capital asset created by its normal use;
- post-retirement activities (monitoring, etc.); and,
- constructing other tangible capital assets to perform post-retirement activities.

An obligation occurs at the later of acquisition date or legislative obligation date and is initially measured at fair value, determined using the present value methodology. Costs related to the asset retirement are added to the carrying amount of the related tangible capital asset and are amortized over the useful estimated life of the related tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed in the statement of operations.

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated costs to settle the liability. When the future retirement date is known, a present value technique is used to measure the liability In subsequent periods, the asset retirement obligation liability is adjusted for the accretion of discount which is recognized in the statement of operations.

Pursuant to the Alberta Environmental Protection and Enhancement Act, the City is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and postclosure activities include the final clay cover, landscaping, surface and ground water monitoring, leachate control, and visual inspection. The requirement is being provided for over the estimated remaining life of the landfill site based on usage.

These liabilities reflect the City's best estimate, as of December 31, 2025, of the amount required to retire tangible capital assets. Estimates are made by management using professional judgment, similar contractor costs, and third-party quotes, and are subsequently re-measured considering any new information and the appropriateness of assumptions used.

1. Significant Accounting Policies (continued)

q. Pension Expenses

Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

r. Future Accounting Standards Pronouncements

The following summarizes upcoming changes to Public Sector Accounting Standards. The City will continue to assess the impact and prepare for the adoption of these standards.

i Financial Statement Presentation

PS 1202, Financial Statement Presentation, establishes standards on how to present info in general purpose financial statements. This standard is applicable to fiscal years beginning on or after April 1, 2026.

2. Cash and Temporary Investments

	2025	2024
Temporary investments	**$ 21,444,885**	$ 17,772,001
Cash	**20,946,160**	4,045,437
Cash floats and undeposited receipts	**2,684**	2,975
Total	**$ 42,393,729**	$ 21,820,413

Temporary investments consist of short term deposits with original maturities of three months or less, which currently have effective interest rate of 2.80% (2024 - 3.80%). Temporary investments are capable of reasonably prompt liquidation and maybe used to manage the City's cash position through the year from the date of purchase

The City has an authorized overdraft limit in the amount of $10,000,000 which bears interest at prime minus 0.25% and is secured by an overdraft protection agreement. At year end, the City had used no part of this limit (2024 - $NIL).

3. Accounts Receivable

	2025	2024 (Restated) (Note 24)
Property Taxes		
Arrears taxes	**$ 48,520,899**	$ 41,543,483
Current taxes	**1,865,765**	1,350,831
Allowance for doubtful accounts	**(48,932,570)**	(41,984,076)
	1,454,094	910,238
Other		
Trade and other receivables	**3,945,717**	4,633,612
Due from other governments	**2,891,292**	2,280,742
Due from Cold Lake Regional Utility Service Commission	**1,919,013**	1,196,930
Goods and Services Tax recoverable	**819,690**	526,398
Debt recoverable - local improvements	**523,117**	64,108
Allowance for doubtful accounts	**(140,780)**	(132,195)
	9,958,049	8,569,595
	$ 11,412,143	$ 9,479,833

The City received interim payment from PSPC (Public Services and Procurement Canada for the PILT (Payment in Lieu of Taxes in June 2025 with a final payment notice issued in February 2026. There is a dispute balance of $6,936,896 (2024 - $6,121,480) between the City and PSPC, and the total disputed shortfall amount of $48,798,715 included in allowance for doubtful accounts is being appealed. The significant increase in both arrears and allowance for doubtful accounts is due to an allowance for the PILT. The City does not budget for the penalty on this disputed balance; However, the City does charge the penalty in accordance with the bylaw and sets up an allowance as PSPC is disputing the balance.

4. Land Held for Resale

Land inventory is comprised of multiple vacant properties acquired through purchases. A specific use for the land has not been determine and the City may dispose of the land if no plan can be developed for the land.

At year-end the carrying value of the land is $1,199,000 (2024 - $1,215,000)

5. Investments

	2025	2024
Investments - amortized cost	**$ 45,107,128**	$ 47,948,888
Investments - fair value	**12,006,443**	9,570,272
	$ 57,113,571	$ 57,519,160

The composition of investments measure at amortized costs is as follows

	Amortized Cost 2025	**Market Value 2025**	Amortized Cost 2024	Market Value 2024
Fixed income	**$ 45,095,267**	**$ 43,293,589**	$ 47,937,513	$ 45,536,007
Common shares	**11,861**	**11,861**	11,375	11,375
	$ 45,107,128	**$ 43,305,450**	$ 47,948,888	$ 45,547,382

Fixed income securities bear interest ranging from 1.67% to 3.50% (2024 - 1.25% to 5.55%) and maturity periods from 2026 to 2035

The composition of investments measured at fair value is as follows

	2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Principal protected notes	**$ -**	**$ 12,006,443**	**$ -**	**$ 12,006,443**

	2024			
	Level 1	Level 2	Level 3	Total
Principal protected notes	$ -	$ 9,570,272	$ -	$ 9,570,272

Fair values are those derived from:

- Level 1: Fair value is based on quoted prices in active market.
- Level 2: Fair value is based on model based valuation methods for which all significant assumptions are observable in the market quoted prices similar but not identical assets.
- Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market date have a significant impact on valuation.

6. Cold Lake Primary Care Medical Clinic Ltd.

Cold Lake Primary Care Medical Clinic Ltd., established by the City Council resolution CRM20230214.1004 is wholly owned by the City. Cold Lake Primary Care Medical Clinic Ltd. owns and operates a medical clinic in Cold Lake, Alberta.

Cold Lake Primary Care Medical Clinic Ltd. has a year-end of February 28.

The following table provides a condensed supplementary information for Cold Lake Primary Care Medical Clinic Ltd. as at December 31, 2025:

	2025	2024
Financial Position		
Current assets	$ 359,699	$ 269,880
Non- current assets	1,643,912	1,833,039
Total assets	2,003,611	2,102,919
Current liabilities	31,973	40,645
Long-term liabilities	1,750	1,750
Total liabilities	33,723	42,395
Retained earnings	(154,734)	78,347
Contributed capital	2,020,174	2,020,174
Common shares	10	10
Current earnings	114,405	(39,919)
Total shareholder's equity	1,979,855	2,058,612
Operations		
Revenue	415,033	364,765
Expenses	(529,438)	(404,684)
Net income	(114,405)	(39,919)
Changes in Shareholder's Equity		
Shareholder's Equity, Opening	2,058,612	2,038,531
Contributed capital	-	60,000
Net income	(114,405)	(39,919)
Shareholder's Equity, Closing	$ 1,944,207	$ 2,058,612

In 2025, the City contributed $NIL (2024 - $NIL) in tangible capital assets and $NIL in funding (2024 - $60,000) to Cold Lake Primary Care Medical Clinic Ltd.

7. Accounts Payable and Accrued Liabilities

	2025	2024
Trade and accrued liabilities	**$ 12,170,411**	$ 4,611,554
Due to other governments	**4,203,628**	4,048,419
Financial Contracts Payable	**198,897**	504,172
Accrued interest payable	**228,850**	257,323
Source deductions	**279,164**	243,408
Due to related parties	**38,856**	26,379
	$ 17,119,806	$ 9,691,255

Due to the provincial government includes the education taxes payable related to the Payment in Lieu of Taxes for the deferral of the education portion of the property taxes outstanding from Public Services and Procurement Canada (PSPC)

Amounts due to the Cold Lake Regional Utility Services Commission (CLRUSC) and the library are related parties to the City of Cold Lake.

Due to federal government are amounts that consist of payroll remittances outstanding at year end.

8. Deferred Revenue

Deferred revenue is comprised of the following amounts, which have been received from various third parties and are restricted to the eligible operating and capital projects as approved in the funding agreements for a specified purpose. These amounts are recognized as revenue in the period in which the related expenditures are incurred.

	2024 (Restated) (Note 24)	Amount received and receivable	Interest and Other	Amounts Recognized	2025
Government Transfers Capital					
Municipal Sustainability Initiative	$ 79,336	$ -	$ 241	$ -	**$ 79,577**
Canada Community Building Fund	-	1,001,196	-	(1,001,196)	**-**
Local Government Fiscal Framework	156,689	2,411,348	-	(2,043,645)	**524,392**
	236,025	3,412,544	241	(3,044,841)	**603,969**
Government Transfers Operating					
Local Government Fiscal Framework	-	228,574	-	(228,574)	**-**
Other	335,778	51,906	-	(85,740)	**301,944**
	335,778	280,480	-	(314,314)	**301,944**
Other Deferred Amounts					
Other	2,378,337	1,023,296	-	(783,759)	**2,617,874**
Offsite levies	5,655,352	268,006	-	-	**5,923,358**
	8,033,689	1,291,302	-	(783,759)	**8,541,232**
	$ 8,605,492	$4,984,326	$ 241	$(4,142,914)	**$ 9,447,145**

9. Employee Benefit Obligations

	2025	2024
Vacation and overtime	**$ 1,465,912**	$ 1,257,534

The vacation and overtime liability is comprised of the vacation and overtime costs that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

10. Long-Term Debt

	2025	2024
Province of Alberta		
Tax supported debentures	**$ 53,131,917**	$ 37,056,777
Canadian Imperial Bank of Commerce		
Tax supported debentures	**10,384,099**	10,639,106
Federation of Canadian Municipalities		
Tax supported debentures	**500,000**	500,000
Total Long-Term Debt	**64,016,016**	48,195,883
Less: current portion	**(3,532,553)**	(3,349,871)
	$ 60,483,463	$ 44,846,012

The required repayments for the Province of Alberta debt and expected repayments for all other debt are as follows:

	Principal	Interest	**Total**
2026	$ 3,532,553	$ 2,456,933	**$ 5,989,486**
2027	3,183,569	2,322,755	**5,506,324**
2028	2,980,995	2,194,285	**5,175,280**
2029	2,802,502	2,085,530	**4,888,032**
2030	2,793,743	1,981,475	**4,775,218**
Subsequent	48,722,654	17,426,799	**66,149,453**
	$ 64,016,016	$ 28,467,777	**$ 92,483,793**

In 2024, the City entered into a long-term financing agreement with the Federation of Canadian Municipalities under the Green Municipal Fund to support the Clean Energy Improvement Program. Loan disbursements are received in separate draws, with each draw carrying a fixed interest rate determined at the time of issuance. Interest is calculated as the greater of Government of Canada bond yield minus 2.00% or a minimum of 2.00%. In the event of default, and additional interest spread of 2.50% applies. The debenture term is 25 years and includes an interest-only period.

Debenture debt in the amount of $53,131,917 payable to the Province of Alberta bears interest at rates ranging from 2.88% to 6.25% (2024 - 2.88% to 6.25%) per annum, before provincial subsidy, and mature in various amounts between 2026 through 2050 (2024 - 2025 through 2043)

10. Long-Term Debt (continued)

Debenture debt in the amount of $10,384,099 payable to the Canadian Imperial Bank of Commerce bears interest at a fixed swap rate of 4.69% versus 1-month CAD-BA-CDOR+0.85% and matures in 2048. Debenture debt is issued on the credit and security of the City.

Debenture payments occur annually, semi-annually, or quarterly and the interest paid during the year amounted to $1,855,406 (2024 - $1,708,551). The City's total cash payments for interest is $1,893,154 (2024 - $1,859,766).

11. Debt Limits

Section 276 (2) of the *Municipal Government Act* requires that debt and debt limits are defined by the Alberta Regulation 255/200 for the City of Cold Lake be disclosed as follows:

	2025	2024
Total Debt Limit		
(1.5 times revenue, as defined in the regulation)	**$104,867,145**	$100,916,045
Total Debt	**64,016,016**	48,195,883
Amount of Debt Limit Unused	**$ 40,851,129**	$ 52,720,162
Debt Servicing Limit		
(0.25 times revenue, as defined in the regulation)	**$ 17,477,858**	$ 16,819,341
Debt Servicing	**5,989,486**	5,085,222
Amount of Debt Servicing Limit Unused	**$ 11,488,372**	$ 11,734,119

The debt limit is calculated at 1.5 times the revenue of the City (as defined in Alberta Regulation 255/00) and 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 threshold are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial stability of the City. Rather, the financial statements must be interpreted as a whole.

12. Asset Retirement Obligations

	2025	2024
Asset Retirement Obligation, Opening	**$ 4,726,534**	$ 4,680,391
Additions	**36,538**	899
Accretion	**236,327**	225,030
Recovery	**-**	(179,786)
Asset Retirement Obligation, Closing	**$ 4,999,399**	$ 4,726,534

Tangible capital assets with associated asset retirement obligations include buildings, machinery and equipment, land improvements, vehicles and engineered structures.

12. Asset Retirement Obligation (continued)

The City has asset retirement obligations to remove and remediate various buildings, machinery/equipment, land improvements, vehicles, and engineered structures. Regulations and legal obligations require the City to dispose of hazardous materials (such as asbestos), and remove structures and remediate the area in prescribed manner under legislation and/or contractual obligation. Timing of the disposal or removal is conditional; however, regulations and contractual obligations create and existing obligation when the asset retirement activities occur.

Alberta environment law requires closure and post closure care of landfill sites, which final covering and landscaping, pumping of ground water and leachates from the site and ongoing environmental monitoring site inspections and maintenance.

Asset retirement obligations of $4,999,399 (2024 - $4,726,534) are measured using a present value technique. The present value calculated using an estimated total undiscounted cash flow of $27,195,012 (2024 - $29,089,352), a discount rate of 5.00% (2024 - 5.00%), with retirement and reclamation activities expected to be settled between 2029 to 2074.

13. Contingencies

The City is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the City could become liable for its proportionate share of any claims losses in excess of the funds held by the exchange. Any liability would be accounted for as a current transaction in the year the losses are determined.

14. Franchise and Concession Contracts

Disclosure of utility franchise agreement annual revenues are required by Alberta Regulation 313/2020 is as follows:

	2025	2024
ATCO Electric	**$ 1,200,794**	$ 1,188,769
ATCO Gas	**656,425**	632,274
	$ 1,857,219	$ 1,821,043

15. Investment Income

For the year ended December 31, 2025, the City earned a total of $1,891,519 in investment income (2024 - $2,647,058). This amount includes interest and dividends received during the year, as well as amortization of bond premiums and discounts, and realized gains on the sale of investments.

The investment income includes $5,247 in amortization of bond premiums and discounts (2024 - $17,001), and a realized gain on sale of investments of $171,695 (2024 - $611,315), which is reported as part of investment income on the Statement of Operations.

Investment income is recognized on an accrual basis.

16. Equity in Tangible Capital Assets

		2025	2024
Net book value of tangible capital asset	Schedule 7	**$ 329,499,567**	$ 318,545,270
Long-term debt related to tangible capital assets	Note 10	**(63,516,016)**	(47,695,883)
Asset retirement obligations	Note 12	**(4,999,399)**	(4,726,534)
		$ 260,984,152	$ 266,122,853

17. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2025	2024 (Restated) (Note 24)
Internally Restricted		
Public works and infrastructure	**$ 42,878,900**	$ 32,327,648
Community services	**3,779,980**	3,840,517
General government	**6,508,497**	3,627,261
Planning and development	**1,777,339**	2,544,061
Electrical utility contribution	**1,252,719**	1,252,719
MD Waterline	**534,530**	500,355
Developer contribution	**385,678**	385,678
Municipal reserve	**132,648**	132,648
	57,250,291	44,610,887
Unrestricted Funds	**28,800,698**	30,046,473
Total Restricted and Unrestricted	**86,050,989**	74,657,360
Equity in Tangible Capital Assets	**260,984,152**	266,122,853
Accumulated Remeasurement Loss	**(70,754)**	(2,130,899)
Accumulated Surplus	**$ 346,964,387**	$ 338,649,314

18. Budget

The budget figures in these financial statements are based on the budget approved by the City's Council on November 26, 2024, The City compiles a budget on a modified accrual basis. The reconciliation below adjusts excess revenue over expenses to align with the budget process. It should not be used as a replacement for the statement of operations and accumulated surplus. Users should note that this information may not be appropriate for their purposes.

	2025 (Budget)	**2025 (Actual)**	2024 (Actual)
Annual Surplus	$ 13,095,778	**$ 6,254,928**	$ 3,010,882
Add back (Deduct):			
Amortization of tangible capital assets	-	**12,419,087**	11,990,673
Acquisition of long-term debt	12,250,000	**19,250,000**	500,000
Repayment of long-term debt	(3,349,891)	**(3,429,867)**	(3,220,442)
Disposal of tangible capital assets (net of amortization)	-	**444,549**	3,207,339
Acquisition of tangible capital assets	(31,681,968)	**(23,817,933)**	(17,857,856)
Net transfers from reserves	9,686,081	**12,639,404**	2,838,750
Operating Surplus	$ -	**$ 23,760,168**	$ 469,346

19. Derivatives

The City has entered into interest rate swap agreements with Canadian Imperial Bank of Commerce ("CIBC") to manage volatility of interest rates. As at December 31, 2025, the City held a contract for settlement in 2048 with a notional amount of $10,384,099 (2024 - $10,639,106). The fair value of outstanding contracts payable is $198,897 (2024 - $504,172)

20. Local Authorities Pension Plan

Employees of the City participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. LAPP serves 316,938 people and 453 employers. LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year which they become due.

The City is required to make current service contributions to the plan of 8.45% (2024 - 8.45%) of pension earnings up to the year's maximum pension earnings under the Canada Pension Plan 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%) of pension salary up to the year's maximum pension salary and 10.65% (2024 - 10.65%) for the excess.

Total current service contributions by the City to the Local Authorities Pension Plan in 2025 were $1,120,012 (2024 - $1,037,281). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2025 were $997,133 (2024 - $953,986)

As at December 31, 2024, LAPP Disclosed an actuarial surplus of $19.56 billion (2024 - 15.06 billion)

21. Salary and Benefit Disclosure

Disclosures of salaries and benefits for elected municipal official, the chief administrative officer and other designated officers are required by Alberta Regulation 313/200 as follows:

	Salary	Allowance and Benefits	**2025 Total**	2024 Total
Mayor Copeland	$ 67,235	$ 6,235	**$ 73,470**	$ 82,403
Mayor Mattice	14,287	754	**15,041**	-
Councilor Bailey	37,118	4,159	**41,277**	35,576
Councilor Cowell	7,089	807	**7,896**	-
Councilor Lefebvre	50,993	5,240	**56,233**	44,899
Councilor Mattice	32,295	4,104	**36,399**	37,729
Councilor Parker	47,543	2,210	**49,753**	41,528
Councilor Richardson	34,695	3,709	**38,404**	40,078
Councilor Vining	41,693	4,475	**46,168**	39,946
Councilor Weber	6,849	754	**7,603**	-
	339,797	32,447	**372,244**	322,159
Chief Administrative Officer	283,493	32,714	**316,207**	334,181
Designated Officer	141,593	-	**141,593**	138,384
	$ 764,883	$ 65,161	**$ 830,044**	$ 794,724

(a) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

(b) The employer's share of all employee benefits an contributions or payments made on behalf of employees including; pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance long and short-term disability plans, professional memberships, and tuition.

(c) Designated officer include the City's third party assessor.

22. Financial Risk Management

The City's financial instruments consist of cash and temporary investments, investments, taxes and grants in place of taxes receivable, trade and other receivables, accounts payable and accrued liabilities, deposit liabilities, financial contracts, and long-term debt.

a. Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to fulfill its contractual obligations. The City is exposed to credit risk through its cash and temporary investments, investments, interest receivable, and trades receivable.

Cash, temporary investments and investments are held with highly rated financial institutions with strong credit standings. The City considers its exposure to credit risk on cash and investments to be low.

Credit risk arises from the potential that a customer will fail to perform its obligations. The City is exposed to credit risk from its customers. In order to reduce this risk, the City conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends, and other information.

22. Financial Risk Management (continued)

a. Credit Risk (continued)

The two most significant revenue sources for the City are property taxes and government transfers. The City has a significant number of taxpayers, which minimizes concentration of credit risk. No one taxpayer makes up a significant portion of such revenue. The majority of government transfers are received from provincial and federal government agencies. Due to the nature of these payers, the City is not exposed to significant credit risk on such transactions.

The City is exposed to credit risk on investments and has established an investment policy in compliance with the MGA to limit investments with required minimum credit quality standards. The City's exposure, based on the risk rating of money market holdings and bonds, has not changed significantly year over year.

b. Interest rate risk

Interest rate risk is the risk that future cash flows or fair values of financial instruments will be affected by the fluctuation and degree of volatility in interest rates. The City is exposed to interest rate risk through variable-rate financial instruments and debentures.

Interest rate risk is managed by investment policies that limit the maturity of certain fixed income instruments. The City has also adopted a maximum interest rate cap of 10% under its Clean Energy Improvement Tax Bylaw.

The City uses interest rate swap agreements to manage its interest rate exposure. The City specifically designates these agreements as hedges of debt instruments and recognizes interest rate differentials as adjustments to interest expense in the period the differentials occur. Under interest rate swap agreements, the City agrees with other parties to exchange, at specific intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed-upon notional principal amount. The fair value of the interest rate swap agreements is estimated using quotes from counterparties and represents the cash requirement if the existing agreements had been settled at year end.

c. Currency risk

Currency risk is the risk to the City's surplus that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the City is not exposed to significant currency risks arising from transactions in US funds.

Unless otherwise noted, it is management’s opinion that the City is not exposed to significant other price risks arising from these financial instruments.

23. Segmented Disclosure

Segmented information has been identified based upon lines of services provided by the City. Municipal services are provided by departments and their activities are reported by function area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide are as follows:

a. General Government

General government is comprised of City Council, general revenues, general expenses, and net taxes for municipal council. This segment makes decisions regarding the service delivery and services levels on behalf of the City in order to balance the needs and wants of the City residents in a financially responsible manner.

23. Segmented Disclosure (continued)

b. Protective Services

Protective services is comprised of policing, fire rescue services, disaster services, and bylaw services. This segment is responsible for providing emergency services and ensuring safety within the City. Policing and bylaw services provide bylaw and enhanced policing enforcement that ranges from community standards, to traffic safety, to animal control, as well as provincial statute enforcement with authorities granted by the Solicitor General of Alberta. Regional fire services is responsible to provide fire suppression services, fire prevention programs, training and education related to fire prevention, and detection or extinguishing of fires. The mandate of disaster services is to help maintain safe communities and public safety in disaster situations.

c. Utility Systems

Utility systems is comprised of water treatment, water supply, sewer collection, waste, and recycling services. This segment is responsible for the general operating and supply of water to residents, the collection of sewer from residents, and the management and collection of physical waste and recycling from residents.

d. Transportation Services

Transportation services is comprised of public works operations, airport, public transportation, and storm sewer services. Public works operations is responsible for providing maintenance and development of City roadways, infrastructure, and maintenance of the City fleet. The airport is responsible for maintaining the current airport and managing the use of the areas. Public transportation is responsible for the provision of bussing services to residents within the City. Storm sewer services is responsible for the collection and outflow of sanitary run-off.

e. Public Health and Welfare

Public health and welfare is comprised of Family and Community Support Services (FCSS), daycares, playschools, seniors, special transportation, and cemetery services. This segment is responsible for providing support to the community with a strong emphasis on providing support to the vulnerable persons within the community.

f. Planning and Development

Planning and development is comprised of municipal planning, and economic development services. Planning and development work with developers in planning the growth of the of the City in a sustainable manner. Economic development works with businesses in the City to encourage investment and attraction as well as economic sustainability.

g. Recreation and Culture

Recreation and culture is responsible for providing leisure services to residents to promote the well-being of residents. This is accomplished through the maintenance and management of the arenas, the leisure facility, the golf and winter club, the parks and sports fields, the marina, and funding the library and museum. In addition, the City will manage concerts and events to promote and engage the community.

24. Restatement

During the year, the City identified that a portion of the Lakeshore Drive capital project was reported as funded from property tax revenue sharing sources in 2024. However, the project was approved to be partially funded under Local Government Fiscal Framework ("LGFF"). This change in funding source and the associated revenue was not reflected in the prior year financial statements.

As a result, government transfer revenue, accounts receivable and deferred revenue were understated, in the prior year.

The above changes have been applied retroactively and the 2024 comparative figures have been restated as follows:

	As Previously Stated	Restatement	**As Restated**
Statement of Financial Position			
Financial Assets			
Accounts receivable	$ 7,386,944	$ 2,092,889	**$ 9,479,833**
Liabilities			
Deferred revenue	8,448,803	156,689	**8,605,492**
Net Financial Assets	16,919,196	1,936,200	**18,855,396**
Statement of Operations and Accumulated Surplus			
Other Revenue (Expenses)			
Government transfers for capital	7,535,147	1,936,200	**9,471,347**
Annual Surplus	1,074,682	1,936,200	**3,010,882**
Accumulated Surplus			
Accumulated Surplus - Beginning of year	337,769,331	-	**337,769,331**
Accumulated Surplus - End of year	$338,844,013	$ 1,936,200	**$340,780,213**

25. Comparative Information

Certain other comparative information has been reclassified to confirm with the financial statement presentation adopted for the current year.

26. Approval of Financial Statements

These financial statements have been approved by Council and Management on April 14, 2026