APPENDIX A

THE CITY OF Red Deer

# FINANCIAL REPORT

# Q1 2026


Published June 2026

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# CONTENTS

# Q1 FINANCIAL REPORT

## A memo on behalf of City Administration

The City's first quarter financial results are in line with expectations and reflect the seasonal nature of municipal operations. As of March 31, 2026, net debt was $219 million, an improvement of $23 million from Q1 2025, but higher than year-end 2025 due to the normal drawdown of cash and receivables prior to property tax collection.

The City reported a first-quarter operating deficit of $38 million, consistent with the same period in 2025. This result is expected, as property tax revenue is not recognized until tax notices are issued later in the spring. Overall revenues and expenditures remain within anticipated ranges for this stage of the fiscal year.

Utility-supported operations continued to perform well, generating a $17 million surplus, $3 million higher than Q1 2025, driven by revenue growth that exceeded expense increases. For the year, planned operating surplus to be transferred to utility reserves is $29M, with a projected favourable variance at Q1 of $1M. Tax-supported operations experienced lower government transfer revenue and higher salary and RCMP contract costs, while other self-supported operations reported a modest deficit primarily due to lower land sales.

Accumulated surplus and reserve balances changed largely as planned. Restricted reserves increased by $23 million following budget-approved transfers, while operating and capital fund balances reflected the timing of revenues, expenditures, and capital project activity.

Cash balances declined by $33 million during the quarter, which is typical before property taxes and certain grant revenues are received. The City's cash position remains stronger than at the same time last year. Planned capital investment remains significant, with $471 million in approved project budgets remaining, primarily related to transportation, land development, and wastewater infrastructure.

The City's long-term debt balance decreased slightly to $303 million and remains well within both provincial and Council-established limits. Key financial indicators continue to demonstrate stable financial health, while Administration continues to monitor infrastructure renewal and long-term debt sustainability.

Sam Mugford, CPA, CA
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2026 (in thousands of dollars)
Unaudited

| | March 31, 2026 | March 31, 2025 | December 31, 2025 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | **$ 5,672** | $ 7,369 | $ 37,023 |
| Accounts receivable | **65,131** | 34,580 | 73,296 |
| Land ready for sale | **7,888** | 9,460 | 7,888 |
| Investments | **173,914** | 164,411 | 171,246 |
| Loans receivable | **11,098** | 10,795 | 11,121 |
| | **263,703** | 226,615 | 300,574 |
| **Liabilities** | | | |
| Bank indebtedness | **1,760** | 8,531 | - |
| Accounts payable and accrued liabilities | **32,527** | 33,333 | 56,531 |
| Deposits and other liabilities | **4,045** | 3,986 | 4,078 |
| Deferred revenue | **114,946** | 98,301 | 85,231 |
| Employee benefit obligations | **15,101** | 16,208 | 13,850 |
| Asset retirement obligations | **11,773** | 15,139 | 11,773 |
| Long-term debt | **302,680** | 293,225 | 304,477 |
| | **482,832** | 468,723 | 475,940 |
| **Net Debt** | **(219,129)** | (242,108) | (175,366) |
| **Non-Financial Assets** | | | |
| Tangible capital assets | **2,242,498** | 2,214,764 | 2,248,329 |
| Land not ready for sale | **35,879** | 35,879 | 35,879 |
| Inventory held for use | **5,186** | 4,139 | 4,820 |
| Prepaid expenses | **15,056** | 11,348 | 4,074 |
| | **2,298,619** | 2,266,130 | 2,293,102 |
| **Accumulated Surplus** | **$ 2,079,490** | $ 2,024,022 | $ 2,117,736 |

See appendices for more information on this statement

# UNCONSOLIDATED STATEMENT OF OPERATIONS

For the Period Ended March 31, 2026 (in thousands of dollars)
Unaudited

| | Tax-Supported Operations | | Utility-Supported Operations | | Other Self-Supported Operations | | Total Operations | | |
|---|---|---|---|---|---|---|---|---|---|
| | **March 31, 2026** | March 31, 2025 | **March 31, 2026** | March 31, 2025 | **March 31, 2026** | March 31, 2025 | **March 31, 2026** | March 31, 2025 | Year ended December 31, 2025 |
| **Revenues** | | | | | | | | | |
| Net property and other taxes | **$ -** | $ - | **$ -** | $ - | **$ -** | $ - | **$ -** | $ - | $ 175,003 |
| User fees and sale of goods | **10,135** | 9,817 | **42,887** | 40,387 | **1,672** | 2,401 | **54,694** | 52,605 | 219,560 |
| Operating government transfers | **1,942** | 4,030 | **-** | - | **-** | - | **1,942** | 4,030 | 15,821 |
| Investment earnings | **2,945** | 1,962 | **-** | - | **2** | - | **2,947** | 1,962 | 2,468 |
| Fines and penalties | **1,017** | 1,393 | **96** | 106 | **-** | - | **1,113** | 1,499 | 5,245 |
| Natural gas distribution franchise | **2,360** | 2,673 | **-** | - | **-** | - | **2,360** | 2,673 | 9,949 |
| Licenses and permits | **2,170** | 2,332 | **-** | - | **-** | - | **2,170** | 2,332 | 4,849 |
| Other revenue | **594** | 633 | **626** | 106 | **275** | 272 | **1,495** | 1,011 | 4,471 |
| | **21,163** | 22,840 | **43,609** | 40,599 | **1,949** | 2,673 | **66,721** | 66,112 | 437,366 |
| **Expenses by object** | | | | | | | | | |
| Salaries, wages, and benefits | **35,706** | 33,282 | **5,556** | 5,435 | **1,071** | 1,141 | **42,333** | 39,858 | 171,841 |
| Contracted services | **5,231** | 4,376 | **5,342** | 4,201 | **1,243** | 1,102 | **11,816** | 9,679 | 55,048 |
| Materials and supplies | **3,157** | 2,723 | **9,014** | 8,915 | **1,603** | 1,676 | **13,774** | 13,314 | 56,943 |
| Purchases from other governments | **8,926** | 6,870 | **-** | - | **-** | - | **8,926** | 6,870 | 32,308 |
| Grants to organizations | **5,799** | 6,835 | **-** | - | **-** | - | **5,799** | 6,835 | 17,954 |
| Financial charges | **2,269** | 2,115 | **651** | 523 | **11** | 22 | **2,931** | 2,660 | 11,180 |
| Amortization | **13,290** | 12,978 | **6,425** | 6,433 | **2,186** | 1,886 | **21,901** | 21,297 | 86,172 |
| Accretion expense | **-** | - | **-** | - | **-** | - | **-** | - | 296 |
| Other expenses | **5** | 77 | **67** | 207 | **(42)** | 2 | **30** | 286 | 1,908 |
| | **74,383** | 69,256 | **27,055** | 25,714 | **6,072** | 5,829 | **107,510** | 100,799 | 433,650 |
| **Annual operating surplus (deficit) before other** | **(53,220)** | (46,416) | **16,554** | 14,885 | **(4,123)** | (3,156) | **(40,789)** | (34,687) | 3,716 |
| **Other items** | | | | | | | | | |
| Capital government transfers | **1,996** | 3,105 | **414** | (711) | **-** | - | **2,410** | 2,394 | 44,070 |
| Contributed tangible capital assets | **-** | - | **-** | - | **-** | - | **-** | - | 7,699 |
| Developer and customer contributions | **(3)** | 196 | **136** | 127 | **-** | - | **133** | 323 | 3,678 |
| Other capital revenue | **-** | - | **-** | - | **-** | 1 | **-** | 1 | 130 |
| **Annual operating surplus (deficit)** | **$ (51,227)** | $ (43,115) | **$ 17,104** | $ 14,301 | **$ (4,123)** | $ (3,155) | **$(38,246)** | $ (31,969) | $ 59,293 |

See appendices for more information on this statement

# UNCONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS

For the Period Ended March 31, 2026 (in thousands of dollars)
Unaudited

| | Opening Balance January 1, 2026 | Additions | Reductions | **Closing Balance March 31, 2026** |
|---|---|---|---|---|
| **Unrestricted Deficit** | | | | |
| Operating fund | $ - | $ - | $ (48,849) | **$ (48,849)** |
| Capital fund | (18,747) | - | (7,127) | **(25,874)** |
| | (18,747) | - | (55,976) | **(74,723)** |
| **Reserves** | | | | |
| Capital projects - tax supported | 17,943 | 16,675 | (7,740) | **26,878** |
| Operating reserve - tax supported | 9,145 | 2,173 | - | **11,318** |
| Municipal parkland | 7,378 | - | - | **7,378** |
| Finance a specific purpose | 3,223 | 49 | - | **3,272** |
| Capital asset replacement - fleet | 36,916 | 2,136 | (426) | **38,626** |
| Land development | 34,154 | - | - | **34,154** |
| Offsite | (36,828) | 62 | - | **(36,766)** |
| Power | 37,233 | 7,086 | (4,969) | **39,350** |
| Wastewater | 29,819 | 7,761 | (5,222) | **32,358** |
| Solid waste management | 27,450 | 3,232 | (304) | **30,378** |
| Water | 9,570 | 8,015 | (5,998) | **11,587** |
| | 176,003 | 47,189 | (24,659) | **198,533** |
| **Equity in Tangible Capital Assets** | | | | |
| Constructed tangible capital assets | 1,846,312 | 416 | (19,559) | **1,827,169** |
| Construction in progress | 93,387 | 16,069 | (416) | **109,040** |
| Contributed tangible capital assets | 308,630 | - | (2,341) | **306,289** |
| Long-term debt for capital purposes | (276,748) | 2,735 | (1,704) | **(275,717)** |
| Asset retirement obligations | (11,773) | - | - | **(11,773)** |
| | 1,959,808 | 19,220 | (24,020) | **1,955,008** |
| **Remeasurement Gain** | 672 | - | - | **672** |
| **Accumulated Surplus** | $ 2,117,736 | $ 66,409 | $ (104,655) | **$ 2,079,490** |

See appendices for more information on this statement

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the Period Ended March 31, 2026 (in thousands of dollars)
Unaudited

| | March 31, 2026 | March 31, 2025 | Year Ended December 31, 2025 |
|---|---|---|---|
| **Net inflow (outflow) of cash related to the following:** | | | |
| **Operating Activities** | | | |
| Annual operating surplus (deficit) | **$ (38,246)** | $ (31,970) | $ 59,293 |
| Non-cash items included in annual operating surplus (deficit): | | | |
| Contributed tangible capital assets | **-** | - | (7,699) |
| Amortization of tangible capital assets | **21,901** | 21,297 | 86,172 |
| (Gain) loss on disposal of tangible capital assets | **(298)** | (284) | 532 |
| Accretion on asset retirement obligations | **-** | - | 296 |
| Change in estimate for asset retirement obligations | **-** | - | (5) |
| Non-cash charges to operations: | | | |
| Accounts receivable | **8,165** | 19,188 | (19,528) |
| Land ready for sale | **-** | - | 1,572 |
| Loans receivable | **23** | 23 | (303) |
| Accounts payable and accrued liabilities | **(24,004)** | (23,906) | (708) |
| Deposits and other liabilities | **(33)** | (117) | (25) |
| Deferred revenue | **29,715** | 13,536 | 466 |
| Employee benefit obligations | **1,251** | - | (2,358) |
| Land not ready for sale | **-** | - | - |
| Inventory held for use | **(366)** | (245) | (926) |
| Prepaid expenses | **(10,982)** | (6,827) | 446 |
| | **(12,874)** | (9,305) | 117,225 |
| **Capital Activities** | | | |
| Acquisition of tangible capital assets | **(16,069)** | (10,846) | (108,344) |
| Proceeds on disposal of tangible capital assets | **297** | 285 | 2,689 |
| Asset retirement obligations settled | **-** | - | (117) |
| | **(15,772)** | (10,561) | (105,772) |
| **Investing Activities** | | | |
| Investments purchased | **(12,764)** | (30,814) | (74,723) |
| Investments redeemed | **10,096** | 30,352 | 69,875 |
| | **(2,668)** | (462) | (4,848) |
| **Financing Activities** | | | |
| Long-term debt issued | **1,704** | 10,449 | 37,527 |
| Long-term debt repaid | **(3,501)** | (3,530) | (19,356) |
| | **(1,797)** | 6,919 | 18,171 |
| **Change in cash and cash equivalents** | **(33,111)** | (13,409) | 24,776 |
| **Cash and cash equivalents, start of period** | **37,023** | 12,247 | 12,247 |
| **Cash and cash equivalents, end of period** | **$ 3,912** | $ (1,162) | $ 37,023 |
| **Cash is comprised of:** | | | |
| Cash and cash equivalents | **5,672** | 7,369 | 37,023 |
| Bank indebtedness | **(1,760)** | (8,531) | - |
| | **$ 3,912** | (1,162) | $ 37,023 |

See appendices for more information on this statement

# CAPITAL PROJECT INFORMATION

For the Period Ended March 31, 2026 (in thousands of dollars)

Unaudited

| | Budget Remaining January 1, 2026 | New Projects Approved/Budget Changes | Period to Date Expenditure | **Budget Remaining March 31, 2026** |
|---|---|---|---|---|
| **Capital Expenditures by Function:** | | | | |
| Transportation | $ 99,273 | $ 30,153 | $ (4,296) | **$ 125,130** |
| Subdivisions | 80,614 | - | (40) | **80,574** |
| Wastewater | 53,693 | 14,723 | (1,547) | **66,869** |
| Fleet | 43,750 | 7,706 | (2,094) | **49,362** |
| Electric | 30,180 | 20,696 | (4,070) | **46,806** |
| Recreation, parks, and culture | 22,379 | 17,421 | (479) | **39,321** |
| Water | 17,278 | 13,602 | (1,851) | **29,029** |
| General government services | 15,104 | 5,639 | (1,335) | **19,408** |
| Waste management | 6,964 | 2,369 | (72) | **9,261** |
| Fire and ambulance | 3,980 | 731 | (233) | **4,478** |
| Public health and planning | 141 | 258 | - | **399** |
| Police and other protective | 376 | 52 | (52) | **376** |
| | $ 373,732 | $ 113,350 | $ (16,069) | **$ 471,013** |

See appendices for more information on this statement

# LONG-TERM DEBT SUMMARY

For the Period Ended March 31, 2026 (in thousands of dollars)

Unaudited

| | March 31, 2026 | March 31, 2025 | Year Ended December 31, 2025 |
|---|---|---|---|
| **Opening Balance January 1, 2026** | **$ 304,477** | $ 286,306 | $ 286,306 |
| Add: New debt issuance | **1,704** | 10,449 | 37,527 |
| Less: Principal payments | **(3,501)** | (3,530) | (19,356) |
| **Ending Balance March 31, 2026** | **302,680** | 293,225 | 304,477 |
| **Balance made up of:** | | | |
| Tax-supported debentures | **206,684** | 204,464 | 207,109 |
| Utility-supported debentures | **71,303** | 60,600 | 72,584 |
| Offsite-supported debentures | **15,659** | 16,704 | 15,732 |
| Land and other self-supported debentures | **9,034** | 11,457 | 9,052 |
| | **$ 302,680** | $ 293,225 | $ 304,477 |
| Interest expense | **$ 2,849** | $ 2,577 | $ 10,809 |

See appendices for more information on this statement

# DEBT & DEBT SERVICING LIMIT

For the Period Ended March 31, 2026 (in thousands of dollars)
Unaudited

| | March 31, 2026 | March 31, 2025 | Year Ended December 31, 2025 |
|---|---|---|---|
| **Debt Limit** | | | |
| Consolidated revenue as defined by Alberta Regulation 255/00 ending December 31, 2025 | **$ 444,629** | $ 382,271 | $ 444,629 |
| | **x 1.5** | x 1.5 | x 1.5 |
| Provincial debt limit | **666,944** | 573,407 | 666,944 |
| Less long-term debt outstanding | **(302,680)** | (293,225) | (304,477) |
| Available to borrow under Alberta Regulation 255/00 | **364,264** | 280,182 | 362,467 |
| Provincial debt limit percentage | **45%** | 51% | 46% |
| Compliant with Alberta Regulation 255/00? | **Yes** | Yes | Yes |
| Council debt limit (75% Provincial debt limit) | **500,208** | 430,055 | 500,208 |
| Less long-term debt outstanding | **(302,680)** | (293,225) | (304,477) |
| Available to borrow under Council Policy G.P.F-2.2 | **197,528** | 136,830 | 195,731 |
| Council debt limit percentage | **61%** | 68% | 61% |
| Compliant with Council Policy G.P.F-2.2? | **Yes** | Yes | Yes |
| **Debt Servicing** | | | |
| Consolidated revenue as defined by Alberta Regulation 255/00 ending December 31, 2025 | **444,629** | 382,271 | 444,629 |
| | **x 25 %** | x 25 % | x 25 % |
| Debt service limit | **111,157** | 95,568 | 111,157 |
| Less debt servicing | **(29,911)** | (31,504) | (29,911) |
| Debt servicing allowed under Alberta Regulation 255/00 | **81,246** | 64,064 | 81,246 |
| Debt service limit percentage | **27%** | 33% | 27% |
| Compliant with Alberta Regulation 255/00? | **Yes** | Yes | Yes |

See appendices for more information on this statement

# PROCUREMENT ACTIVITY

## Contracts awarded over $200,000 from January 1 to March 31, 2026

Below is the procurement activity for Q1 2026 that was posted on bids & tenders. This information is available to all vendors with bids & tenders accounts, and all competitions were best value.

| Project Name | Awarded Vendor | Completed Submissions | Company Location | Awarded Value |
|---|---|---|---|---|
| 2026-001 Parks Bridge Replacements - Structures 31 & 32 | Everest Construction Management Ltd. | 7 | Calgary, AB | $1,304,452.80 |
| 2026-008 Manhole & Catch Basin Frames | ICONIX Waterworks | 1 | Edmonton, AB | $923,298.35 |
| 2025-052 Contact Center as a Service and Implementation Services | IBM Canada Ltd. | 40 | Ottawa, ON | $265,577.32 |

# OPERATING BUDGET VARIANCES

For the Period Ended March 31, 2026 (in thousands of dollars)

The following tables show the most significant variances in each department. A favourable variance is when actual revenues exceed budget or expenses fall under budget. An unfavourable variance is when revenues fall under budget or expenses exceed it.

| Division / Department | Explanation | Total Variance | Favourable vs Unfavourable |
|---|---|---|---|
| **Chief of Staff & Enterprise Strategy** | | | |
| Office of City Manager | Variance relates to internal labour cost adjustments and timing. | $ 25 | Unfavourable |
| **Community Services** | | | |
| Community Services GM | Small variances. | $ 28 | Favourable |
| Parks & Public Works | Vacancies, increased capital allocations, fleet utilization, and increase in internal revenue for turf/reinstates for others/concrete/asphalt permit repairs, offset by lower recovery for others due to lower demand than previous years, lower demand for sport field rentals, vandalism repairs, and goats program. | $ 609 | Favourable |
| Utilities | Vacancies, offset by wastewater overstrength due to increased compliance and legal costs. | $ 1,017 | Favourable |

# OPERATING BUDGET VARIANCES CONTINUED

For the Period Ended March 31, 2026 (in thousands of dollars)

| Division / Department | Explanation | Total Variance | Favourable vs Unfavourable |
|---|---|---|---|
| **Community Services Continued** | | | |
| Safe & Healthy Communities | Higher than budgeted facility rental revenue at Dawe Centre, Collicutt and Dawe childminding grants, vacancies, less natural gas and electricity, offset by less childminding revenue and more fleet charges. | $ 449 | Favourable |
| Transit & Fleet | Inflationary impact budget to be reallocated in April - offsets fleet expenses, higher revenue from student passes & Transit Fare Assistance Program, savings in fuel, incidents repairs internal revenue, lower pay and vacancies offset by higher repairs and rentals, higher parts for fleet repairs, lower advertising and action bus revenues, higher labour charges for repairs reduced by lower internal admin costs. | $ 684 | Favourable |

# OPERATING BUDGET VARIANCES CONTINUED

For the Period Ended March 31, 2026 (in thousands of dollars)

| Division / Department | Explanation | Total Variance | Favourable vs Unfavourable |
|---|---|---|---|
| **Finance & Business Excellence** | | | |
| CSV Business Excellence | Credit card fees related to recreation over budget; looking at reallocating options partially offset by small favourable variances. | $ 5 | Unfavourable |
| Financial Services/CFO | Temporary position vacancies. | $ 87 | Favourable |
| General Municipal Revenue | Prior year interest accrual understatement found during audit to be recorded in 2026, and lower franchise fees due to warmer Fall and Winter similar to last year's actual. Budgeted interest and principal payments on long term debt does not include new issuances, and unallocated training budget reduction offset by increased fleet allocations due to inflationary pressures in tax-supported departments. | $ 1,074 | Unfavourable |

# OPERATING BUDGET VARIANCES CONTINUED

For the Period Ended March 31, 2026 (in thousands of dollars)

| Division / Department | Explanation | Total Variance | Favourable vs Unfavourable |
|---|---|---|---|
| **Corporate & Employee Services** | | | |
| Corporate & Employee Services GM | Position vacancies. | $ 391 | Favourable |
| Revenue & Assessment | Provincial School Tax Levy to be adjusted, lower than anticipated appeals, offset by bad debt and mortgage fee loss. Staff vacancies and salary adjustments. | $ 1,055 | Favourable |
| Human Resources | Vacancies, and Partners in Injury Reduction (PIR) rebates with limited offset from value-added WCB consulting costs. | $ 232 | Favourable |
| Community & Public Relations | Vacancy and projects timeline adjustments. | $ 71 | Favourable |
| Information & Technology | Projected unfavourable variance reflects temporary stabilization and support costs, partially mitigated by vacancy-related savings. | $ 609 | Unfavourable |
| Legal & Legislative | Vacancies, offset by higher than projected property premium. | $ 728 | Favourable |

# OPERATING BUDGET VARIANCES CONTINUED

For the Period Ended March 31, 2026 (in thousands of dollars)

| Division / Department | Explanation | Total Variance | | Favourable vs Unfavourable |
|---|---|---|---|---|
| **Growth & Development** | | | | |
| Growth & Development GM | Less business travel. | $ | 4 | Favourable |
| Engineering | Vacancies new recruits, less contracted services (slope stability; traffic control system), increased revenue - primarily from F3 utility alignment and use of streets permits. | $ | 366 | Favourable |
| City Planning & Growth | Plan and Subdivision fee revenue and staffing vacancies. | $ | 68 | Favourable |
| Inspections & Licensing | Increased building permits (hospital), licenses & animal licenses, vacancies, more parkade revenue, prepaid Hotspot software and reduced contracted services, offset by more credit card charges. | $ | 2,280 | Favourable |
| Land & Economic Development | Increased land sales, vacancies, and less advertising and promotion, offset by higher cost of land sales. | $ | 3,177 | Favourable |

# OPERATING BUDGET VARIANCES CONTINUED

For the Period Ended March 31, 2026 (in thousands of dollars)

| Division / Department | Explanation | Total Variance | | Favourable vs Unfavourable |
|---|---|---|---|---|
| **Protective Services** | | | | |
| Protective Services | Temporary salary and expense dues to leaves. | $ | 294 | Favourable |
| Emergency Services | Increased revenues (higher call volumes due to additional ambulances, dispatch revenue) offset by increased personnel costs due to retro-pay and increased costs (maintenance, fuel and supplies). | $ | 140 | Favourable |
| Municipal Policing Services | Increased revenue (VODP higher grant, more criminal record checks revenues), lower RCMP costs due to less active members and vacancies, offset by less manual ticket revenue due to timing, and increased VOPD costs offsetting grant revenue. | $ | 898 | Favourable |
| **Total Operating Surplus** | | **$** | **10,865** | **Favourable** |

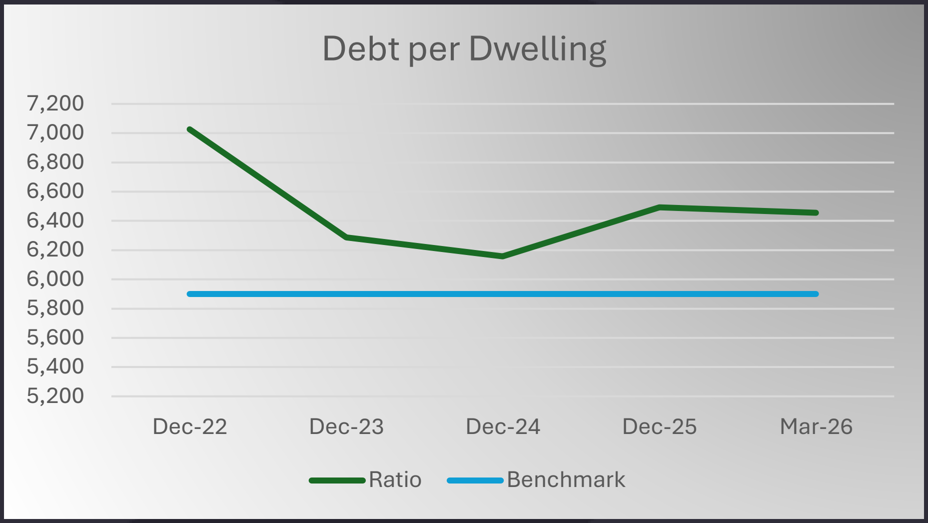
# FLEXIBILITY RATIOS

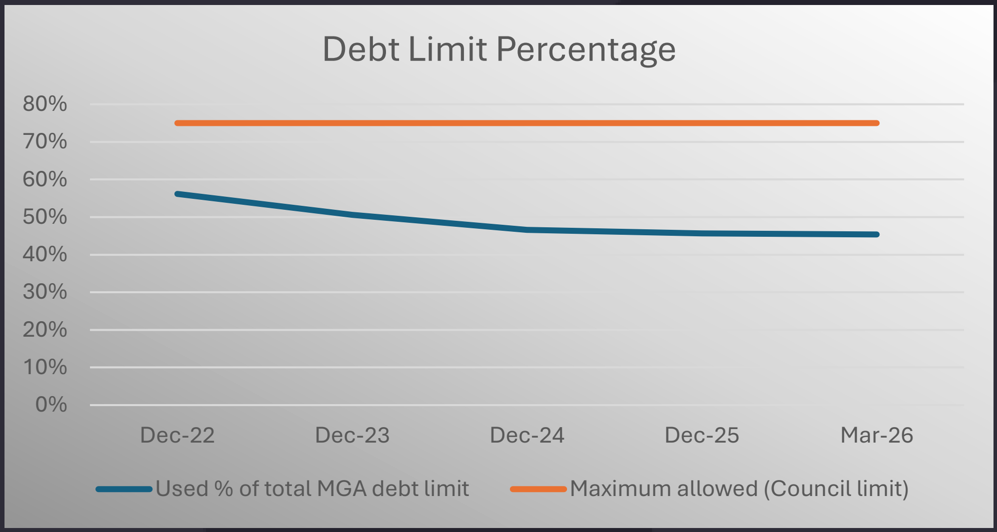
## As at March 31, 2026

Flexibility Ratios are important to monitor as they are indicators of The City's ability to respond to financial pressures by using available tools like reserves, user fees, or debt. It is the intention to highlight different ratios each quarter to continue to evolve financial transparency.

This ratio provides an assessment of the City's ability to issue more debt by considering the existing debt loan on a per dwelling basis.

At the end of Q1, debt is $6,455 per dwelling or $555 above the benchmark




This graph shows how close The City is in reaching its borrowing limit imposed by Council.

At the end of Q1, The City reached 45% of its debt limit, which is 30% below the Council limit.

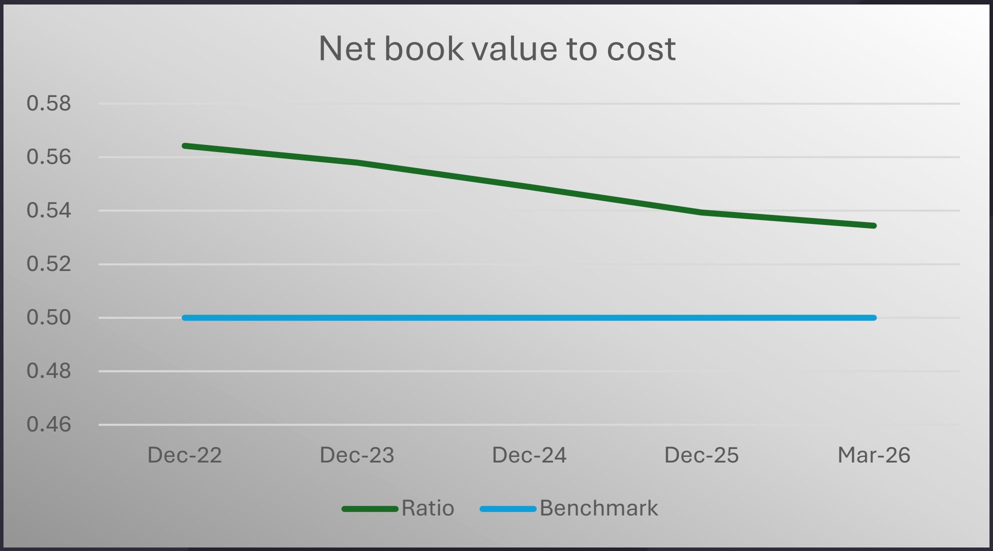
# SUSTAINABILITY RATIOS

## As at March 31, 2026

Sustainability ratios are indicators demonstrating The City's ability to deliver services and meet financial commitments without increasing debt or taxes beyond what the local economy can support.

This ratio measures The City's ability to cover its liabilities using only cash, receivables, and investments.

At the end of Q1, The City could cover 55% of its liabilities with financial assets.


This ratio measures the condition and aging of the City's infrastructure and equipment.

The ratio at the end of Q1 is 0.53 and is nearing its 0.50 benchmark.

# APPENDIX A

The following provides additional context for the unconsolidated financial statements on pages 4-10.

### 1. Unconsolidated Statement of Financial Position

This statement, also known as a Balance Sheet, is a snapshot of where assets and liabilities are sitting as at March 31, 2026, compared to March 31, 2025, and December 31, 2025. For public sector entities like The City, the Balance Sheet breaks out financial assets from non-financial assets. Financial assets less liabilities is The City's net debt.

### 2. Unconsolidated Statement of Operations

This statement reports on revenues and expenses from January 1 to March 31, 2026, compared to the period ending March 31, 2025, and year ending December 31, 2025. An excess or shortfall of revenues minus expenses becomes the operating surplus or deficit for the period ended. The City uses its planned and unplanned surplus to fund capital purchases, debt repayment, and transfers between departments and reserves based on approved budgets. Unplanned surplus (deficit) resulting from operating activities increase (decrease) operating reserves. Surplus (deficit) resulting from capital activities increase (decrease) unrestricted accumulated surplus.

This statement is further broken out between tax-supported, utility-supported, and other self-supported operations:

a) Tax-supported operations include functions within The City that are primarily funded with property taxes, such as protective services, parking, transportation, public health and planning, recreations, parks and culture, and general government services. User fees, government transfers, and other externally-sourced revenues also help fund these operations to lessen the tax burden.

b) Utility-supported operations are functions within The City that are funded primarily by utility fees. These functions include water, wastewater, waste management, and electric utility.

c) Other self-supported operations are activities that are neither funded by taxes or utility fees. These operations include the subdivision, land and development function as well as fleet. Land development operations are funded by land sales while fleet operations are funded by internal charges to other departments. This is why self-supported operations report a deficit as fleet operations raises little revenue from external sources.

# APPENDIX A - CONTINUED

**3. Unconsolidated Statement of Accumulated Surplus**

This statement presents the change in The City's accumulated surplus, otherwise known in the private sector as equity, for the period ended March 31, 2026.

Accumulated surplus for The City is made up of four components:

a) Equity in tangible capital assets represent the net book value of tangible capital assets less debt borrowed to acquire those assets and any asset retirement obligations. This is increased by capital additions and debt repayments and decreased by asset disposals, amortization, and new debt issuances.

b) Reserves represent the portion of The City's equity set aside for future expenditures be they operating, capital, or some specific purpose. Current policy requires annual operating surpluses and deficits to increase or decrease their corresponding operating reserve.

c) Unrestricted surplus (deficit) is the accumulation of all revenues and expenses as well as transfers to (from) equity in tangible capital assets and reserves. The operating fund is closed to reserves at the end of each year whereas the capital fund represents capital expenditures that are waiting that have not yet had their funding source applied.

d) Accumulated remeasurement gains (losses) is the accumulation of unrealized gains and losses associated with investments carried at fair value. Fair value adjustments for these investments are recorded at the end of the year.

The net change in accumulated surplus is the annual surplus or deficit reported for the period in addition to fair value changes on. investments held at fair value.

**4. . Unconsolidated Statement of Cash Flows**

This statement shows cash flow activity for the period ending March 31, 2026, compared with March 31, 2025, and the year ended December 31, 2025. It breaks down cash inflows and outflows by operating, capital, investing, and financing activities then calculates the change in cash and cash equivalents at the end of the period.

# APPENDIX A - CONTINUED

### 5. Capital Project Information

This statement presents the total remaining budget on all ongoing capital projects within The City from January 1 to March 31, 2026. Remaining budget is calculated by the opening balance as of January 1, 2026, plus new projects approved, less projects completed, plus/minus budget changes, and less actual capital expenditures to date.

New projects get added in the beginning of the year after capital budget is approved. The majority of capital expenditures are experienced in the last two quarters of the year as construction season winds down. Completed projects are reported to Council in the summer of each year and subsequently removed from the ongoing projects list.

### 6. Long-term Debt Summary

This statement presents the change in long-term debt including new issuances and debt repayments in the period ended March 31, 2026, compared to March 31, 2025, and the year ended December 31, 2025. The City's long-term debt is entirely made up of debentures from the provincial government.

### 7. Debt & Debt Servicing Limit

This statement calculates The City's debt and debt servicing limits at the end of the period. This represents the amount The City can borrow and service before the provincial government gets involved.

The debt limit is calculated at 1.5 x consolidated revenue as defined by Alberta Regulation 255/00. Debt servicing is 25% of such revenue. This revenue is less than The City's total revenues because it leaves out capital government transfers and contributed assets. Debt servicing is the principal and interest payments for the subsequent fiscal year.

Council has imposed its own debt limit at 75% of the provincially imposed limit. There is no Council imposed limit on debt servicing.

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